



***JPRS Report***

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# **Soviet Union**

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***International Affairs***

# Soviet Union

## International Affairs

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### Role of RSFSR Foreign Ministry Explored

90U10333A Moscow SOVETSKAYA ROSSIYA  
in Russian 31 Jan 90 Second p 5

[Article by RSFSR Minister of Foreign Affairs V. M. Vinogradov: "Foreign Partners in the Federation"]

[Text] The RSFSR is the largest republic in the USSR with the most significant portion of territory, natural resources, and population. It accounts for the decisive portion of industrial and agricultural production of the entire country. This is natural, because the RSFSR is the largest participant in all international affairs of the Soviet Union.

Sometimes we are asked: Why is the RSFSR not a member of the United Nations while the Ukrainian and Belorussian SSR are included in its membership? Is the contribution of the RSFSR in international affairs less than that of some other member of the UN—some country whose entire population may sometimes comprise several hundred people? Formally we may pose such a question. However, we should not forget what we are talking about here—about the fact that it is specifically by its huge portion, its potential, that the Russian Federation to a significant degree ensures the authority of the entire Soviet Union in the international arena in the political sense of the word and makes a great contribution to international cooperation by its economic, scientific-technical and cultural capacities. At one time, during the creation of the United Nations Organization, the Soviet Union presented the idea that all the country's union republics be members of this organization. It was specifically at that time that ministries of foreign affairs were instituted within the union republics, and even ministries of defense. The question, however, could not be resolved positively in full volume at that time. The matter ended in a compromise: The USSR and two Soviet republics entered the UN as full-fledged members.

Having entered the USSR, the union republics as sovereign state formations, naturally, gave up part of their sovereignty in favor of the Union in order to enjoy the protection and authority of the entire Union. After all, it is entirely clear that the representation of all 15 republics in the foreign world is more effective than the actions of each individual republic. In the sphere of foreign relations, in the face of a complex world where the interests of many states are intertwined, crossed, and sometimes found in contradiction to each other, they yielded their rights in such questions as the problems of war and peace, inviolability of state boundaries, representation in relations with foreign states, acceptance and appointment of ambassadors, participation in major international political and economic organizations, etc. in favor of the Union.

Along with this, in accordance with the constitutions of the USSR and the union republics, the republics retain extensive rights for conducting international relations in the most varied spheres.

Thus, the Russian Federation, like all the other union republics of the USSR, aside from participating in all-union affairs, has broad capacities for ties with the foreign world for implementing relations in the sphere of economics, science, technology, culture, education, sports, relations between social organizations, etc., thereby enriching all-state relations.

We must say that the expansion of RSFSR foreign ties is taking place in practically all directions. In view of the clear tendency toward increased independence of the union republics, there is growing interest in business ties of various kinds on the part of the foreign partners. The desire to begin timely arrangement of direct ties with the largest republic of the USSR—Soviet Russia—is being ever more greatly manifested.

As examples of this I might cite the active and ancient ties of the RSFSR with the SFRY republics of Serbia and Chernogoriya, the ties with the major provinces of the CPR Heilungkiang, Jilin and Liaoning which border the Soviet union in the Far East, with the Canadian provinces of Quebec and Alberta, and the FRG states Nordrhein-Westfalen, Lower Saxony and Baden-Wurttemberg.

It is enough to recall that last year, at the invitation of the RSFSR Council of Ministers, over 20 foreign delegations visited our country, including 14 delegations headed by leaders of the governments of administrative-territorial units of various foreign states, or special representatives of their governments. These were guests to the RSFSR from the SFRY, FRG, Canada, USA, Brazil, Argentina, Japan, the CPR, Italy, Sweden, Venezuela and other states.

A characteristic peculiarity of high-level Russian contacts in 1989 was the fact that the business negotiations, as a rule, ended in the signing of inter-governmental agreements defining the basic directions for continued development of the ties between the RSFSR and the corresponding administrative-territorial units of the foreign states. These agreements play an organizing and stimulating role in ordering and expanding mutually beneficial cooperation in various spheres. At the present time, we are conducting negotiations on concluding such agreements with the state of Illinois (USA), the province of Veneto (Italy), the government of the Czech Socialist Republic, the states of Lower Saxony and Baden-Wurttemberg (FRG), and certain provinces of the CPR.

A new step which has increased the level of cooperation with individual foreign partners has been the creation of inter-governmental mixed commissions for cooperation headed by the deputy heads of the governments. This relates to the important ties with the republics of Yugoslavia—Serbia and Chernogoriya, the province of Heilungkiang (CPR), the state of Nordrhein-Westfalen (FRG), and the region of Veneto (Italy). We must say that this is the first experience in the practical experience of the RSFSR's foreign relations.



Of what do the RSFSR's foreign ties consist? Questions of economics take up an important place in them: The implementation of commodity exchange operations at the expense of the resources of the republic, the autonomous republics, krais and oblasts; the cooperation of individual types of production (for example, in light industry, the agro-industrial complex), and the creation of mixed enterprises (in the sphere of consumer goods production and household appliances). These forms are continuously being developed. The main thing in this matter is to establish direct ties between the producers and the consumers, the seller and the buyer—between the future partners in creating joint enterprises.

It is also cooperation between the higher educational institutions on exchange programs for instructors and graduate students and student exchanges. It is mutual cultural measures, ranging from large-scale ones—RSFSR Days in a certain country or city—to exhibitions of individual artists or thematic exhibits.

The volume of all forms of major ties under the current conditions depends, in my opinion, primarily on the initiative, activity, enterprise, and, if you will, imagination of the leaders of the ministries, krais, oblasts and cities. Of course, there are some difficulties in this matter. We must not forget that the overwhelming part of the industrial production on the territory of the RSFSR is comprised of enterprises of all-union affiliation, whose products are managed by the all-union ministries. We must believe that in the course of time the tendency of handing these enterprises over to the management of the Russian republic will intensify.

I would like to note the rapid development of such an important form of "people's diplomacy" implemented by the Russian Federation's local organs of power as the "sister city program". The number of such "sister cities" is continually increasing, and at a rather rapid rate. At the present time, over 170 RSFSR cities maintain partnership ties with over 270 foreign cities.

The effectiveness of these international ties depends largely on the degree of initiative and political level of the city Soviets. Of course, Moscow and Leningrad have much greater capacities. However, the small town of Vidnoye in Moscow Oblast, for example, which has fraternal ties with the Dutch community of Losser, may be boldly presented as an example to many other large cities.

Thus, we may conclude that Russia's foreign relations are developing along the most varied directions, and at a rather rapid rate. However, this does not mean that they entail no problems.

In our view, the union republics, including also the RSFSR, must take a more active part in developing the basic directions of USSR foreign policy. Moreover, as for determining the principle directions of policy or large measures in USSR relations with countries bordering the union republics, in this case consultations must necessarily be held with the union republic.

Evidently, we should think about giving the union republics the full right to themselves regulate foreign economic activity of the republic's organizations by means of issuing licenses for export and import of goods and concluding intergovernmental foreign economic agreements at a regional level, obviously in those cases when the matter concerns resources and material goods which are under the republic's management.

It is necessary, in our view, to also establish such a situation where any enterprise or organization on the republic's territory, regardless of whether it has all-union or republic affiliation, must necessarily pay a certain portion of its currency profits from foreign economic operations to the republic Council of Minister's fund. Furthermore, we believe that the Ministry of Culture, the Ministry of Higher and Secondary Specialized Education, the Ministry of Public Education, the republic's Goskomsport [State Committee on Sports] in their foreign ties must be entirely free of unnecessary patronage on the part of the corresponding union ministries.

The RSFSR Ministry of Foreign Affairs is that republic organ which develops the basic directions for its foreign ties, prepares the most major measures, conducts negotiations with foreign representatives, and organizes high-level contacts between the leaders of the RSFSR Supreme Soviet and Council of Ministers and the corresponding foreign partners. Obviously, in all that concerns foreign relations, the RSFSR Ministry of Foreign Affairs proceeds from the interests of the USSR and the Russian Federation, which we consider inseparable.

#### **MFA Journal Said To Promote Glasnost in Foreign Affairs**

90UI0399A Moscow *VECHERNYAYA MOSKVA*  
in Russian 30 Jan 90 p 3

[Article by V. Milyayev, chief editor of VESTNIK MINISTERSTVA INOSTRANNYKH DEL SSSR: "The Ministry of Foreign Affairs Divulges Secrets"]

[Text] The term "glasnost" can be defined in different ways. I would suggest that glasnost is the informational underpinning of the democratic form of public administration. Frankly, if we want our Supreme Soviet to work productively and effectively and if we want public opinion in our country to have a real impact on state policy, we must see to it that the deputies and those who elect them have broad access to all of the necessary information. The need to publish, for example, the exact amounts of our military expenditures stemmed from more than just the fact that these data are published in many other countries in the world. This information is of cardinal importance in assessments and analyses of our defense and foreign policy.

Public knowledge of the affairs of state is an essential condition for the creation of a base of general awareness and, consequently, the formation of a consensus based on this awareness.

In this context, the objective of expanding and reinforcing glasnost in our country is connected with two problems. The first is well known to us: We must remove all of the unwarranted prohibitions, bans, and restrictions on important information. There is also another problem, however, which might become equally significant in time. Information cannot be accessible only in principle; it must be distributed and actually delivered to the people who need it.

This is just as important in foreign policy as in all other spheres of public life. This is precisely why a new journal—VESTNIK MINISTERSTVA INOSTRAN-  
NYKH DEL SSSR—began to be published a few years ago.

Strictly speaking, VESTNIK is not something new, but the revival of a suspended tradition. In the 1920's the People's Commissariat of Foreign Affairs published several periodicals. The pre-revolutionary Ministry of Foreign Affairs also published its own IZVESTIYA. Furthermore, this was a profound and well-grounded publication. It is true that VESTNIK now has to compete with many other foreign policy journals, but it does have a *raison d'être* and its own "ecological niche."

Any self-respecting newspaper feels obligated to devote at least a page to international news, but information can take different forms. Here is an analogy. "Roman law" is a common term in jurisprudence. This is a law code dating back to antiquity. In the Middle Ages Roman law was adopted by many West European peoples. Under the new conditions, however, the ancient rules required interpretation. This is how the so-called glossators—jurists annotating the original texts—came into being. In time, new interpretations were needed, and the post-glossators made their appearance. They looked for excerpts from, for example, the code of Justinian in the works of the glossators and added their own interpretations to them.

A similar situation has now taken shape in the sphere of foreign policy information. Let us assume that some kind of event takes place—a politician makes an important speech. Telegraph agencies choose what they regard as the most interesting excerpts and distribute these throughout the world along with their own commentaries. Journalists and political correspondents then read the wire reports and use them as the basis for articles containing their own interpretation of the event. As a result, the original information simply does not reach the reader in many cases. He reads a second-hand commentary prepared by a "post-glossator."

There is no question that there is a need for interpretation, but there is also a need for "pure" information, and this is why VESTNIK was founded. Its main function is the publication of original documents and materials, preferably without any cuts or abridgements. The journal tries to adhere strictly to this rule, no matter how long the document is. As it turned out, for example,

VESTNIK was the only Soviet periodical to print the INF Treaty in its entirety, including the appendix listing missile deployment sites.

The issue of human rights is being discussed extensively in our highest legislative organ and in many public organizations at this time, but the competent and knowledgeable discussion of this topic requires an informational base—the texts of the main international agreements on human rights. For this reason, VESTNIK has a new section entitled "International Law in Documents," and several of the documents published deal specifically with human rights.

It would be difficult to find a topic arousing more concern than environmental protection. Even a specialist, however, sometimes has difficulty finding the texts of the main international agreements on ecology. VESTNIK will also try to fill this gap.

Incidentally, the very publication of a document can focus attention on an important problem. I will take the liberty of citing an example of this. An international convention with the banal name "On the Use of White Lead in the Painting Trade" went into effect in 1923. Lead, as we know, is a highly toxic substance and can pose a serious threat to human health. The convention imposed strict limits on the use of paints containing lead. In particular, it categorically prohibited the use of women's labor in all industrial painting using lead paint. More than 50 states, if I am not mistaken, are now party to this convention. When a country signs the convention, it naturally has to bear the additional expense of restructuring production and technology for the purpose of reducing or eliminating the production of paints containing lead. Even countries which are not very rich, to put it mildly, such as Burkina Faso, Mali, and Niger, agreed to the expense and inconvenience, but the Soviet Union is not party to the convention yet. Why not?

Only a few years ago the Ministry of Foreign Affairs was known mainly as a clannish and exclusive agency. It was justifiably referred to as a "zone off limits to criticism." Now the situation has changed radically, however, and VESTNIK played a part in this process. The journal began, for example, by describing the structure of the ministry and listing the names of all deputy ministers, collegium members, and department and administration chiefs.

We recently began printing items on new appointments in the ministry and biographical data on our diplomats. VESTNIK regularly publishes the speeches U.S. Foreign Minister E.A. Shevardnadze makes at domestic working meetings and conferences. Incidentally, these materials are often used, or even simply reprinted, by other publications, both Soviet and foreign. In short, we have gradually begun showing the reader the "kitchen" of Soviet diplomacy and the process of foreign policy decisionmaking.

Of course, VESTNIK is read primarily by professionals. Foreign diplomats and journalists working in Moscow

and even representatives of trade firms, for example, take a great interest in the journal. Some embassies immediately signed up for a limited subscription. I suspect that our journal has made the life of foreign diplomats much easier. In the past, when they wanted to trace the evolution of the USSR's position on a particular issue, they had to dig through newspapers and chase after Soviet spokesmen in an attempt to pump them for the necessary information. Now all they have to do is look through the pages of VESTNIK. All of the information is already collated there. Incidentally, in March of this year VESTNIK will begin to be published in an English-language edition and will be distributed abroad by the Austrian OEW firm.

Diplomats are not the only ones, however, with an interest in the journal. When I read the letters to the editors, I discovered—to my surprise, I must admit—how many people in our country who are not professionally employed in the foreign policy sphere are well versed in international affairs. I think that their numbers can only increase in the future. Furthermore, VESTNIK also prints articles of interest to the general public.

For example, a report on political and legal analyses of the 1939 Soviet-German non-aggression pact was presented at the Second Congress of People's Deputies, and a corresponding resolution was passed. The public learned of some documents and facts which served as the basis for the decision by participants in the work of the deputies' commission of experts of the USSR Ministry of Foreign Affairs that the secret protocol of 23 August 1939 and other secret Soviet-German agreements were actually concluded, and that the extant copies must be authentic. An intra-ministerial memo discovered in the ministry archives records the delivery of the original copies of the "secret" protocols by one of V.M. Molotov's assistants to another (by D.V. Smirnov to B.F. Podtserob) in April 1946. This March, VESTNIK plans to publish the main sections of the act signed by Smirnov and Podtserob and typewritten copies of the Soviet-German secret agreements of 1939.

Of course, the work of expanding access to information in the ministry and in foreign policy as a whole is far from finished. There are, as the saying goes, substantial "unutilized reserves." In my opinion, more thorough public discussions of foreign policy issues could be instrumental in developing this process.

The prevailing attitudes in our society today are critical. Because of this, glasnost is often equated with criticism. There is no question that there is a need to point out shortcomings, but this is not enough for the establishment of democracy in the full sense of the term. In addition to everything else, democracy signifies the competition of ideas, beliefs, and points of view. In this respect, we have only taken the first steps in a long journey.

Our social sciences include the science known as the theory of international relations. Oddly enough, it flourished in the years of "stagnation." In those years the theorists of international relations frequently published lengthy monographs, gathered at seminars and conferences, sharpened their methodological tools, and developed the systemic, structural-functional, and other approaches to international issues. Now a new day has dawned. Now any ideas can be expressed, even the most unorthodox ones, and people can write for today's readers, and not for members of future generations who might find these papers hidden in a desk. The theorists, however, are in no hurry to do this.

It is today, however, that we have an urgent need for thorough analyses and investigations of the bases and strategic goals of our foreign policy, the most complete and comprehensive analyses possible—from the philosophical, cultural-historical, economic, sociological, and other vantage points.

The process of democratization and the expansion of informational openness in the work of our diplomats is growing stronger, and one of the instruments directing this process is the USSR Ministry of Foreign Affairs' own press organ. Through it, we inform the public of our work and our plans for the future. We tell the people everything, and not merely what is "convenient" for us. By the same token, our citizens are expressing their opinions, through their elected bodies, public organizations, and the press, of what the ministry is doing, and they are thereby actively influencing the development of Soviet foreign policy.

In conclusion, I would like to express my certainty that VESTNIK will make an even greater contribution to the development of glasnost in our country in the future.

#### **Enhanced Role of GSSR Foreign Ministry Detailed**

90U10352A Tbilisi ZARYA VOSTOKA in Russian  
24 Jan 90 p 4

[Interview with Georgiy Dmitriyevich Dzhavakhishvili, Georgian SSR minister of foreign affairs, by Irina Inoveli: "Abstract Contacts? They Are Already a Reality: The Georgian Ministry of Foreign Affairs Seeks Direct Access to International Arena"; first paragraph is ZARYA VOSTOKA introduction; last paragraph is editorial comment]

[Text] Last April was the same for Georgian SSR Minister of Foreign Affairs Georgiy Dzhavakhishvili as for everyone else—it was a time stained with the dark and somber tones of sorrow and pain. This probably kept him from feeling a completely justifiable sense of elation when he heard that he had been awarded the status of minister extraordinary and plenipotentiary first-class by a decree of the USSR Supreme Soviet Presidium at the end of April. This was an indication that the entire Georgian Ministry of Foreign Affairs had been given an



excellent performance evaluation. This is how our conversation with Georgiy Dzhavakhishvili began.

[Inoveli] Georgiy Dmitriyevich, I hope you will not be offended if I say that the Georgian Ministry of Foreign Affairs, just as, incidentally, the foreign ministries of other union republics, was regarded for a long time, and with good reason, by the population as a purely decorative appendage of the USSR Ministry of Foreign Affairs: After all, it had no image of its own. Recently, however, we suddenly started to notice with surprise and pleasure that the state of affairs had changed radically, especially when we heard the results of last year's work. The Georgian SSR Ministry of Foreign Affairs is not only a genuinely autonomous body, but is also energetically making arrangements for the establishment of foreign policy contacts. Furthermore, you are not a newcomer to the job. After all, you have held your present position for 5 years now. What is the reason for the great advances the Georgian Ministry of Foreign Affairs made in 1989?

[Dzhavakhishvili] In spite of the precise definition of the rights of the sovereign state in the constitution, our ministry was more of a showcase when I took office. It is true that I did not put up with some of my young colleagues' jokes about this, because I believe that serving as the showcase of our republic is not a bad thing either. After all, a foreigner sees your republic and your people through this display case. For this reason, when I arrived at the beginning of 1985, the ministry staff—there were a whole 12 of us then (the minister's smile and ironic tone indicated that he was enclosing the word "whole" in quotation marks)—had the great responsibility of displaying our republic and its potential—political, economic, and cultural—to the rest of the world.

For a long time, we worked with an eye to the future, as the saying goes, concentrating on future results and gradually accumulating experience. After all, I was relatively young for a diplomat, and many other members of the staff were even younger. Until recently the visits of many high-level foreign guests to the republic were strictly a matter of protocol. They came here, took a look at Georgia, and saw that it was a genuine paradise, a promised land with wonderful people and an excellent cuisine. Each visit would end with an abstract conversation about the possibility of future contacts, which usually committed neither side to anything whatsoever. I must admit that the job was certainly pleasant, but it was never fulfilling.

A better understanding of the way we work today must be preceded by a description of how we worked just yesterday. Our work fit a pattern which had been established decades before in the foreign ministries of union republics. Our ministry resembled something midway between the State Committee for Foreign Tourism and a travel agency for high-level foreign guests. Many of them had only the sketchiest knowledge of Georgia and a vague idea of it as some kind of exotic land somewhere in the Caucasus. Our older guests invariably associated

Georgia with Stalin. I did not like this very much and had to explain that "the father of all the peoples" had probably caused the most trouble of all for my own people....

In short, the work of the republic foreign ministry fit the stereotype of those days, and I hope those days are gone forever.

As for today, we have a few more staff members and we are slowly but surely setting guidelines for our future activity. I have told my staff not to be afraid of ridicule or misunderstandings and to make any suggestions whatsoever, even if the ideas sound like daydreams. We might take action on them—if not immediately, then in the near future—and therefore the staff is encouraged to be imaginative and daring.

Of course, at first we had nothing but ideas and were not even close to implementing any of them....

When Eduard Amvrosiyevich Shevardnadze came to the republic last May in connection with the April events, which we certainly will never forget, he came to see me. This is when the direct implementation of our future program of action was discussed in detail. On 6 May the Georgian Ministry of Foreign Affairs, meeting the criteria accepted in all civilized countries, was established with the active support of the republic leadership.

Now we have a staff of almost 50, we have begun training our own personnel and, what is most important, we have a new administration for the coordination of all republic foreign ties. Without hampering the initiative of ministries, departments, and individual firms in the least, it will integrate their separate efforts and coordinate and direct all of the work they do. Representatives from the Baltic republics, who have traditionally been regarded as the most experienced diplomats, have begun coming to our republic to study our experience.

[Inoveli] Tell us why USSR Deputy Minister of Foreign Affairs V. Nikiforov recently came to Georgia. Your joint appearance on "Moambe" aroused the interest of the Georgian public....

[Dzhavakhishvili] The team headed by V. Nikiforov came here to offer us help, but after they had met our staff and had heard a report on the work we had done, our guests admitted that although they had heard about the work of the Georgian Ministry of Foreign Affairs, the reality exceeded all of their expectations. I must confess that we were pleased to hear this.... The ideas we developed and implemented were recommended for study by the foreign ministries of union republics.

[Inoveli] I realize that it is impossible to cover all topics and all aspects of the new patterns of work in your ministry in a newspaper interview, but what would you single out as the main issues?

[Dzhavakhishvili] We should consider, for example, the following matter. Our decree said that the Georgian Ministry of Foreign Affairs would institute a system of



personnel rotation. I never could understand, and I said this 2 years ago at a conference in the union foreign ministry, why a representative from, for example, the Armenian Foreign Ministry could not be part of the staff in our embassies in France, Argentina, Lebanon, and Egypt—i.e., wherever there is a large Armenian emigre community. How could there be no representative from the Ukrainian Foreign Ministry in Canada, or from the Georgian Foreign Ministry in Turkey, Iran, France, and even Israel, where the USSR is known to have a consular group? After all, there are large Georgian communities in these countries. As for Israel, I am absolutely certain that despite all of Khrushchev's good and bad points, breaking off diplomatic relations with Israel might have been his biggest foreign policy mistake.

We have begun establishing a relationship with this country. Because so many of our former countrymen are there, and because many of the people in our country want to stay in touch with relatives who have moved to Israel, we are simply obligated to work toward rapprochement at this time and to concentrate on the things that unite us instead of those that divide us.

I am certain that we will have to resume diplomatic relations with Israel in the near future. This must not be impeded in the least by our country's recent establishment of diplomatic relations with Palestine. For now, I will simply say that a permanent representative from the Georgian SSR Ministry of Foreign Affairs will already be part of our country's consular group in Israel in early spring. Direct flights between Tbilisi and Tel Aviv will start this year, probably somewhere in the middle of the year. The Georgian Foreign Ministry has been granted the right to arrange for charter flights. An association for business cooperation with foreign countries is being established in the republic and will be joined by all interested ministries and departments. This association will be authorized to establish any kind of joint venture, including charter flights. Furthermore, these will not be confined to flights between Georgia and Israel. Please do not think my imagination is running away from me if I say that Paris-Vienna-Tbilisi-Istanbul-Tel Aviv charter flights in the near future seem completely feasible to me. The fact is that many foreigners are not too eager to have a stopover in Moscow when they visit our country. After all, Moscow is too crowded and does not have the facilities to handle our constantly rising number of foreign guests. Furthermore, arranging for connecting flights with our Aeroflot can be time-consuming and stressful....

[Inoveli] What kind of contacts are you establishing with West European countries?

[Dzhavakhishvili] An association for business cooperation with the French is being established. It will be made up of the largest firms, with over a billion dollars in assets, capable of supporting the development of priority areas in the Georgian economy. Plans call for the establishment of a Georgian center in Paris and a French center in our country, in Tbilisi, for cultural exchanges,

student exchanges, etc. Here we owe a great debt to the European Regional Assembly for accepting our application for membership on the recommendation of our friends from Belgium. This assembly, with its headquarters in Strasbourg, unites regions, lands, cantons, and republics. It represents a common European home for the coordination of efforts aimed at the survival of the human race.

Incidentally, I was surprised to learn that some African countries also belong to the assembly—for example, the Magrib countries propagating a European culture. On 30 November last year, Georgia became an associate member of the assembly. Tourism, the development of high technology in industry and agriculture, student exchange programs, and international friendship tours for youth—all of this will be carried out through assembly channels.

[Inoveli] I assume the cost of membership is quite low.

[Dzhavakhishvili] The annual fee of 10,000 dollars is almost a symbolic sum. We agreed that if we do not want to pay the amount in currency, we will host one of the assembly's undertakings in Georgia. This is what we plan to do, probably by holding an assembly-sponsored international conference on the development of alpine regions in Tbilisi next year. This is a matter of interest to the entire alpine zone—Switzerland, Italy, France, some other countries, and, of course, Georgia.

Now I want to talk about something else. We have established a unique system with the blessings of UNESCO Director General Federico Mayor and the approval of the union ministry. I am referring to the Georgian Republic Council for UNESCO Affairs. As we know, there are commissions on UNESCO affairs in the USSR Ministry of Foreign Affairs and corresponding commissions in the foreign ministries of the Ukraine and Belorussia, which are UN members. Although Georgia is neither a member of the United Nations nor an official member of UNESCO, it will be an associate member, so to speak, of the latter. We now communicate directly with UNESCO in the majority of our UNESCO-related undertakings.

[Inoveli] I suppose Georgia's broader contacts with foreign countries will require many specialists in international fields.

[Dzhavakhishvili] Of course. This is why we have already set up a republic Education Fund. The foreign ministry suggested this fund. Ministries and departments will make contributions to the fund in foreign currency—on a voluntary basis, of course. We received our first donation from UNIDO—5,000 dollars. Contributions from people in our own country include 25,000 rubles from the Teleti cooperative, 50,000 rubles from the Young Physicians Associations, and other donations which are now being made in rubles because of the shortage of foreign currency. Some organizations have promised to donate a "tidy" sum in foreign currency. We think the Education Fund will be able to send around 50

or 60 people abroad to study in September. Most of them will be upperclassmen from our VUZ's. The choice of candidates is an open and public process. Those who wish to continue their studies in the best foreign academic institutions are interviewed at a session of a special council made up of representatives of all interested ministries and departments. Priority is given to the young people who reveal a sound knowledge of their own history and culture, comprehensive erudition, and, of course, a good background in their chosen field. Representatives from foreign academic institutions will participate in the selection process after the candidates have been recommended by our council. For example, Leopold Bausbech, who donated 1 million schillings to us to pay for five students and young economists to attend the University of Vienna each year, will come here soon to meet the candidates we have chosen. The same is true of other sponsors.

The Georgian Foreign Ministry has also established another fund—the Grigola Robakidze Fund—with the aim of coordinating the now separate efforts of Georgian scholars and public spokesmen to recover archives, literary and cultural monuments, and other works of historical value which were created abroad or were taken there from the republic in the 1920's.

[Inoveli] Would you like to tell us that there are no more problems in the work of Georgia's present foreign ministry?

[Dzhavakhishvili] Unfortunately, there are more than enough problems. Indagro, the well-known Austrian-Italian firm, for example, is willing to supply us with the necessary quantity of heat and power stations, which are also household sewage treatment plants, on extremely convenient terms. This would solve two problems at once: We would get rid of garbage and we would have an ecologically clean way of producing cheap electrical power, which is in such short supply today. The foreign

firm is willing to install as many of these plants as we want and to turn them over to us in a fully operable state. Just two such plants would cover the electricity needs of the production units and households in Tbilisi. Our "payment" would entail the transfer of 20 percent of the energy to the Indagro firm. Besides this, the same firm is willing to supply us with mobile modules for the processing of agricultural waste. Regardless of the results of business negotiations, the same firm, as it informed us in a telex, is willing to give us scarce medical equipment worth 600,000 dollars for free. All we have to do is send a small team of specialists to Austria to finalize the agreement and receive the gift from the Indagro firm. The trip to Vienna would also be important to us because the administrators of UNIDO, the United Nations Industrial Development Organization, are waiting for us there to discuss the opening of a center of this extremely prestigious international organization in Tbilisi. The matter has been under consideration, however, since last November.

Sometimes we are told that we take too many trips—abroad, naturally. How can we explain that this is the main part of our job and that the entire trip is sometimes taken up by business meetings and negotiations, lasting far into the night?

Therefore, we still have many rough spots and various snags in our work. The sooner we get rid of them through concerted effort, the more our republic will gain now that it is confidently seeking direct access to the international arena.

The minister could only find time for this interview on a Saturday. For the minister and other ministry personnel, there has been little to distinguish weekends from ordinary workdays for a long time. On the Sunday following that Saturday, the minister flew to Bucharest for the day to award the Romanian people financial assistance from our republic.

**Problems, Successes of CEMA Viewed**

90U10356A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 6, Feb 90 p 21

[Interview with Council for Mutual Economic Assistance Secretary V. V. Sychev conducted by *EKONOMIKA I ZHIZN* correspondent A. Linnik: "CEMA on the Threshold of Changes"]

[Text] [Correspondent] Vyacheslav Vladimirovich, judging by the results of the recent 45th CEMA session meeting, a good groundwork has been laid for radical reform of the mechanism of interaction of the countries within the concord and radical transformation of the Council for Mutual Economic Assistance. In this connection, how do you evaluate the experience of all of CEMA's work in the course of the few post-war decades?

[Sychev] We proceed from the fact that in the years of cooperation the Council member states have formed a deep mutual dependence. Forty years of multilateral cooperation have played a great role in developing the economy of each of the participant countries. Let us recall the jointly built industrial enterprises which were vitally important for each of the CEMA states, the oil and gas pipelines, the Unified Electrical Power System, and other facilities through whose operation the fraternal countries satisfy almost entirely their import of fuel, energy, and raw materials, and better meet their needs for food products and consumer goods. There are tangible results also in the realization of scientific-technical projects, as for example in electronics and biotechnology. CEMA has played its role in developing cooperative production in a number of sectors of machine building. We may also cite other examples of CEMA's practical benefit.

In the course of over 4 decades, CEMA has been, in essence, the organizing nucleus facilitating the unification of efforts to bring the economic development of each of the socialist countries to a new level.

[Correspondent] Nevertheless, it would evidently be timely to mention the problems which have accumulated in the mutual cooperation of the concord countries over a number of years.

[Sychev] Yes. The cooperation of the CEMA member states in recent years has begun to lose its dynamism, and its effect on the solution of socio-economic problems has declined. The growth rates of mutual commodity turnover of the CEMA member states in the last decade have notably declined, falling behind the growth of their social production. Contract discipline is declining, and difficulties have been noted in coordinating delivery conditions. The efforts on continued increase in the volume of deliveries of numerous types of goods are no longer justified. This relates primarily to raw material and fuel-energy resources. Most of the CEMA states have encountered a reduction in the portion of world trade and an increase in the foreign debt. Obvious inconsistency is demonstrated today by the model of division of

labor which has been formed within the framework of CEMA, according to which there is a natural exchange of fuel, electrical energy and raw materials for finished products which, unfortunately, often do not meet world standards of quality or technical parameters.

The reasons for these negative phenomena are rather complex and are conditioned by a number of factors of a domestic and foreign nature. We also cannot overlook the main thing: The traditional economic relations between the concord countries have come into direct contradiction with the economic reforms. These relations noticeably lag behind the processes of radical reform which are unfolding in the CEMA states.

[Correspondent] Economic reforms, the departure from the directive-distributive system of management and a turn toward economic methods for the fraternal countries—these are the alpha and omega of the process of renovation and creation of a viable organism of economic cooperation of the CEMA states. What is the viewpoint on this matter of the representatives of the countries participating in the Council's 45th session?

[Sychev] In their speeches at the session meetings, the heads of the delegations from the CEMA member states were united in the opinion that the entire system of economic cooperation is in need of radical reorganization. We are speaking specifically about a radical reorganization, and not about some individual, specific changes, not about cosmetic retouching and renovation of the organization's building facade. We need a transition to an entirely new system of mutual relations.

By the way, I might note that on the eve of the 45th session meeting, the press in various countries published exaggerated prognoses regarding the disbanding of CEMA, the disintegration of the Council, and other gloomy predictions. These did not justify themselves, nor can they be justified, since there is no serious groundwork for them. The economic ties which have been formed between the CEMA member states are so vitally important for the economy of each of them that their disintegration would have a ruinous effect on the development of the national economies and would lead to economic chaos and unpredictable consequences in most of the participant states.

In their speeches, the heads of the CEMA member state delegations expressed principle interest in the reorganization of CEMA as the collective organ of economic cooperation, as well as in the radical change of its functions, goals, and directions of activity.

The processes of integration in the world economy, naturally, cannot help but have an effect on the future face of the Council for Economic Mutual Assistance and on the future model of cooperation within the framework of this organization.

Today it is hardly expedient to speak in detail about the future model of cooperation with the framework of CEMA. The special commission created by decision of the Council's 45th session meeting will prepare the



appropriate proposals on the fundamental economic questions of economic interaction of the CEMA member states. However, the contours of the new model of the integration mechanism were outlined by the delegation heads at the session meeting. They expressed the unanimous opinion as to the need for gradual changeover of mutual trade and other directions of economic cooperation between the countries to a market basis. This would help to create in the future a unified market space with development of commodity-monetary relations and gradual rapprochement with conditions of world market conditions.

The task of organic inclusion of the CEMA states into the international division of labor becomes ever more pressing, while the changeover to new conditions of trade which are generally accepted in world practice corresponds to our general strategic interests.

The development of market forms of interaction requires the accelerated formulation of adequate mechanisms and instruments. First of all, this concerns the gradual rapprochement of contract prices in mutual trade of the CEMA states with the current world prices, as well as the introduction of a new system of mutual accounting based on freely convertible currencies, and the formulation of a mechanism for creating currency exchange rates in accordance with the buying power of the currencies. We are beginning to see a gradual transition in mutual trade to world market prices and accounting in freely convertible currency.

The transition to world market prices is a necessary condition for active inclusion of the CEMA member states in world economic ties, and in the world economy. At the same time, the increased role of commodity-monetary instruments in the integration mechanism does not mean a rejection of the application of plan levers of economic interaction. The existing practice of coordinating the national-economic plans of the CEMA member states is in need of radical renovation. It must be based to a larger degree on the coordination of the economic policy of the countries, on their mutual consultations and exchange of experience in national economic development.

In the transition to new principles of cooperation, we must take into account the different position in which the CEMA member states find themselves. We are referring, for example, to the peculiarities of the economic situation which has arisen in the non-European CEMA states—in Mongolia, Vietnam, and the Republic of Cuba. These peculiarities will be taken into consideration in implementing the reorganization of the mechanism of mutual cooperation.

[Correspondent] With the introduction of new principles of cooperation, there will evidently also be a reconstruction of the Council for Economic Mutual Assistance itself?

[Sychev] A special commission created at the decision of the 45th CEMA session meeting will prepare a set of

proposals on this question. They will be aimed at expanding the rights and defining the functions of the Council, improving its Charter, and increasing the effectiveness of the organization's activity. Evidently, continued modernization of the CEMA structure will be needed so that it will indeed facilitate the increased integrational interaction between the countries, the intensification of mutually beneficial trade, and economic and scientific-technical cooperation. The opinion was expressed at the CEMA session meeting that the most important function of the Council should be the continued development of the mechanism of multilateral cooperation.

In the future, CEMA is seen as an organization whose activity is concentrated primarily on developing strategic directions of cooperation. It is presumed that the process of cooperation itself will be moved to the level of CEMA member state enterprises, many of which have obtained the right to independently enter the world market.

The implementation of radical changes in the entire system of cooperation is not a one-time act. The transition to the new model will take place gradually by means of coordinating measures which will make it possible to avoid sharp fluctuations in the development of mutual ties of the CEMA member states and to neutralize the consequences of possible losses or unilateral advantages. The process must develop step by step, taking into consideration the differences in the economic position of the countries, the dynamics of the changes taking place in the countries, and primarily in the management of their national economies. Without a gradual approach, without proceeding step by step, the danger of disintegration of the national economies may arise.

In short, the tasks facing us are not simple. This year we will conduct intensive preliminary work, so that in 1991 we can take the first practical steps.

### **Currency Reform Crucial for CEMA Cooperation**

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No 1, Jan 90 pp 70-75

[Article by N. B. Kozlov, chief of the currency and economic cooperation subdivision in the USSR Ministry of Finance and a candidate of economic sciences: "Ways To Restructure the Currency and Financial System of the CEMA Countries"]

[Text] The expansion of economic cooperation between the CEMA countries slowed down during the last decade. Whereas the average annual growth rates in trade between the USSR and the other CEMA countries reached 14.1 percent during 1971-1980, it was only 7.0 percent during 1981-1988. Our trade with our CEMA partners even decreased during the last two years: in 1987—by 0.5 percent; and in 1988—by 0.8 percent.

The cooperation of the fraternal countries is basically organized on an interbranch division of labor with an



extremely weakly developed intrabrand and intraproduction division of labor. For example, the share of cooperative deliveries in USSR trade within the CEMA cooperation framework does not exceed two-three percent. At the present time, you see, the deepening of intrabrand and intraproduction cooperation is the main reserve for expanding foreign trade. In the aggregate exports and imports of the leading capitalist countries, the share of cooperative deliveries is almost 40 percent. These are not only large batches but also average and small ones that form a large volume when taken together and provide a significant effect.

The expansion of mutually beneficial cooperation by deepening the division of labor within the CEMA framework is possible only when the immediate producers—enterprises and organizations—are directly included in foreign economic ties. These are the ones that can search for additional capabilities and select the most effective cooperation alternatives. At the present time, however, the role of enterprises is not great; their direct ties with each other have still not been sufficiently developed.

We see the reason for this phenomenon to be the administrative mechanism's supremacy in the interactions of the CEMA countries. Trade between the fraternal countries is primarily built on agreements achieved by central, primarily planning, agencies. These agencies define the volume and product list of the items being mutually delivered. These are then included in agreements and protocols on goods turnover and payments and acquire a binding nature. In this regard, the main factor, which affects the scale of cooperation, is the insuring of a material and physical balancing of the national economies. Questions of effectiveness are primarily solved by proceeding from general economic considerations; this does not contribute to the formation of optimum economic ties.

A fundamental restructuring of the cooperation mechanism based on intensifying commodity and monetary relations is required in order to put right the interactions of a wide range of enterprises. Commodity and monetary factors create an internal interest in economic cooperation in all enterprises. Moreover, they provide clear criteria for effectiveness. Finally, they provide for the operation of an automatic regulating system and free the center from direct guardianship of enterprises, permitting it to concentrate on the solution of general economic tasks, including the adjusting of the regulating mechanism and the implementing of individual plans that are of special and large-scale importance.

During the 43rd (extraordinary) CEMA Session, the participating countries came to a conclusion on the necessity for a radical restructuring of the mutual cooperation mechanism by establishing a CEMA unified market. This restructuring should affect all elements in the control system: planning and coordination, currency and financial, and contractual and legal. These are closely connected with each other and separate changes

in them (even in a correct direction) can not only fail to provide a positive effect but also lead to the opposite result.

When solving such a complex task, it is necessary to single out the main "link" which determines the capability of restructuring the entire mechanism. When establishing a market system to regulate the cooperation of the participating countries, a radical change and the intensification of currency and financial factors should play the key role.

**Main shortcomings in the existing currency and financial system.** The existing currency and financial system of the CEMA countries, at whose center is the transferable ruble, completely reflects the features of administrative management methods. The transferable ruble is an accounting marginal clearing unit. It originates and disappears as a result of product deliveries, basically being an instrument for calculating the debt of one country to another. If a corresponding imbalance arises in accounts, it should be covered by the difference in the cost of goods delivered during the next period. In particular, the planning agencies coordinate this. Thus, economic instruments are either not operative or are not used with sufficient effectiveness.

The centralized balancing of goods turnover is possible in practice only on a bilateral basis. Experience testifies to the large difficulties involved in organizing multilateral operations with the participation of third CEMA member countries. That is why even the transferable ruble, which is actually not transferable, can only be used on a bilateral basis. It is also not convertible either into freely convertible currencies (SKV) or into the national currencies of the CEMA member countries. All of this defines the marginal nature of the accounting system.

At the present time, two main shortcomings in the system of accounting in transferable rubles hinder the expansion of economic cooperation among the CEMA countries. The first of them is the impracticality of servicing foreign economic activity at the enterprise and organizational level.

The expansion of integration at the microeconomic level requires introducing into accounting a currency that has been removed from under the administrative dictate. Meanwhile, the expenditure of transferable rubles is extremely limited in time, goods and countries. The "issuing" of transferable rubles is possible only when the appropriate purchases have been included in the import plan and in intergovernmental protocols on goods turnover and payments. This regulation contradicts the principles of cost accounting.

The accumulation of financial assets in transferable rubles is not profitable: The interest, which is added on to assets in transferable rubles, does not correspond to the rate of increase in prices within the CEMA market. This does not create an interest in the enterprise in delivering products for transferable rubles.

The transferable ruble hinders enterprises, who are entering direct ties, in finding mutually beneficial prices. The present CEMA pricing principles stipulate that contract prices in mutual trade should be determined by recalculating world market prices, which are formed in freely convertible currencies, into transferable rubles in accordance with the appropriate International Bank for Economic Cooperation (MBES) exchange rates. Contract rubles are a subject of extremely sharp disagreement. The direct cause of this is mainly found in the lack of agreement in currency and financial regulation within the CEMA member countries.

Under clearing conditions, the foreign economic area is isolated from the actual economic processes that are occurring within the countries. This does not permit the establishment of a currency system that possesses the capability for self-regulation at a time when the coordination of the actions of the central agencies is not very effective. A clear example of the uncoordinated use of currency and financial factors is the defects in the exchange rates of the national currencies of CEMA member countries with respect to the transferable ruble and the U.S. dollar. In Hungary, the exchange rate of the dollar is approximately 60 forints, but the exchange rate of the transferable ruble is 28 forints at a time when the official exchange rate of the transferable ruble of CEMA member countries, which has been established by MBEC, is equal to 1.6 U. S. dollars. The conclusion is a simple one: The exchange rate of the transferable ruble in comparison with the exchange rate for the U.S. dollar is understated 3.4-fold (60: 28: 1.6).

The understatement of the transferable ruble's exchange rate in the internal accounts of a number of countries leads to delivery enterprises being forced to establish the prices in transferable rubles for their output at a higher level than average world prices and, in particular, than those prices which could be achieved during the sale of this output in the world market. These prices kill an importer's interest if a ratio, which corresponds to the MBEC exchange rate, is used in his country in internal accounts. This means that the present system of accounting in transferable rubles is opposed to the expansion of cost accounting relationships in the cooperation between CEMA countries.

The second of the main shortcomings being examined by us in the system of accounting in transferable rubles is the separation of CEMA market trading conditions from world market conditions. The main factor, which determines trade conditions, is the price structure. Although it is intended to establish contract prices based on world prices, it is not world prices but those prices, which have taken shape in the CEMA member countries, that greatly determine their level under the marginal nature of mutual trade accounts.

The prices for goods are set when the central agencies form and balance the product quotas, while these, as has been pointed out, are determined on the basis of internal economic considerations. With the compulsory nature of

deliveries, this inevitably affects the establishment of prices by foreign trade associations and enterprises.

Moreover, when agreeing to contract prices, the seller and the purchaser cannot fail to be guided by internal prices. Guided by the fact that CEMA prices should not be lower than internal prices for exports and higher than internal ones for imports, the Soviet consumer is interested in purchasing, for example, electronic calculators for contract prices, which even exceed world prices significantly, since the prices in the national market are at an even higher level. Having rejected the purchase of products at these contract prices, he can have losses because the need was not satisfied or it became necessary to make greater expenditures for its acquisition in the internal market. In this respect, the criteria of world prices is an extremely abstract one if the alternative of purchases in the world market is practically unrealistic. At the same time, the effect of world prices on CEMA contract prices is stronger as purchases of similar products in the world market become more real.

As a rule, prices in the CEMA market are higher than world prices. Under clearing conditions, the level of expenditures and, consequently, of prices is also determined by the limited number of producers who cannot reach the highest level of production and competitiveness of the products, which are entering the world market, in all areas. In the CEMA countries, the production level is still generally lower than in the developed capitalist countries. That is why the contract prices for those products of the CEMA countries, in which a great deal of—but relatively low productivity—work has been invested, are significantly higher than world prices. The price differential increases as low productivity work is additionally expended on the processing of goods.

With the existing economic mechanism, the development of new progressive forms of cooperation (direct ties and joint enterprises, associations and organizations) strengthens the separation of contract prices from world ones. Agreed prices are being used within the framework of these forms. This primarily means rejecting the use of administrative methods for managing prices. The question of their regulation by economic methods arises in all its sharpness here.

At the present time, a fuller use of the criteria of world prices is required in the highest degree for the CEMA countries. You see, these prices embody the highest labor productivity, technical level and product quality and are a reliable criteria for efficiency. They permit the development level of production in CEMA to be compared with the world level.

The present contract prices are creating hothouse conditions for the producers of goods. It is known that the technical level and quality of machinery and equipment, which is being delivered to the CEMA market, are lower than world standards and that they frequently cannot simply be sold in the markets of the developed capitalist countries. It is possible to overcome the stagnation in the

development of mutual cooperation only by including the economies of the CEMA countries in the world's economy and by fully participating in the international division of labor. To do this, contract prices should correspond to world prices to the highest degree. There is still a contradiction between the objective necessity of bringing trading conditions in the CEMA market closer to conditions in the world market and the need to achieve this goal with the help of the command administrative regulation that is in effect, including the existing currency and financial mechanism.

**The distinctive features of the interaction of exchange rates and contract prices in CEMA.** For our analysis, it is important to examine the distinctive features of the interaction of the exchange rates of national currencies for the transferable ruble and CEMA contract prices. From our point of view, the magnitude of the understatement of the transferable ruble's exchange rate is an important quantitative characteristic of the price differentials in the CEMA market and the world market.

The author does not share the point of view, according to which the exchange rates of national currencies in the CEMA European countries for the transferable ruble are consciously being set too high so as to stimulate exports to capitalist countries and imports from socialist countries. It is known that the exchange rates of national currencies both for the U.S. dollar and for the transferable ruble are determined according to the same method, as a rule, by calculating the so-called export equivalent that expresses the expenditures which, on the average, a country must make to receive a U.S. dollar or transferable ruble unit, respectively. Exchange rates take shape under the influence of three factors: 1) the product export structure; 2) internal wholesale prices; 3) foreign trade prices. Due to which of these factors does the higher value of the U.S. dollar in comparison with the transferable ruble (in our example, 60 and 28 forints) arise? Let us examine the possible effect of each of the mentioned factors.

The export structure undoubtedly affects the indicators of its effectiveness. It is known that the Soviet Union and the other CEMA countries are primarily sending so-called "hard currency" goods, which include, in particular, mining and agricultural raw materials, fuel, food, and consumer goods, for sale at freely convertible currencies.

In the world market, these goods are more competitive than, for example, machine building products and other science-intensive goods that have basically not reached in CEMA countries the level of world standards. That is why it is clear that if the structure of exports in freely convertible currencies approximates the structure of exports in transferable rubles, its effectiveness will be lowered because fewer competitive goods will be included in deliveries. In our example, this will mean that not 60 but, let us say, 70 forints will be expended to receive one U.S. dollar. The coming together of the structure of exports in freely convertible currencies and

in the transferable ruble would lead not to an equalizing of the defects in the exchange rates of national currencies but to their strengthening. It follows from this that the existing differences in the exchange rates of national currencies for U.S. dollars and the transferable ruble cannot be explained by the different structure for exports to the world market and the CEMA regional market. On the contrary, this factor operates in an opposite direction and contributes to equalizing exchange rates.

The difference of internal wholesale prices during the delivery of fundamentally identical products to different markets is sometimes linked to the fact that several plants, which do not operate under identical economic conditions, are delivering them. However, this is basically not correct. Single prices must be established during the development of commodity and monetary relations and the improvement of market price formation methods. The conclusion is clear here: The factor of differences in expenditure levels at individual enterprises cannot serve as a reason for the origination of the above-mentioned differences in exchange rates.

Financial and tax privileges also exert a considerable influence on the level of domestic prices. The opinion is sometimes expressed that the subsidies for enterprises, which are working for the CEMA market, artificially keep wholesale prices at a low level. This causes an increase in the exchange rate of a national currency with respect to the transferable ruble. However, as research has shown, financial, tax and other privileges are characteristic of export stimulation not only in the CEMA member countries but also in the world market. These privileges can predominate during deliveries of products to the developed capitalist countries. This means that the operation of this factor also cannot explain the considerable divergence in exchange rates.

Finally, foreign trade prices are a component of export effectiveness indicators. In our opinion, their magnitude is the real reason for the overstating of the U.S. dollar's exchange rate when compared to that of the transferable ruble. This is caused by the fact that cooperation conditions in the CEMA market inevitably lead to the formation of a distinctive system of prices that exceed world ones.

In individual countries, the magnitude of the disproportion between the exchange rates of national currencies for the transferable ruble and the U.S. dollar is not identical. The distinctive features of their economic mechanisms are the primary cause of this. In those countries (Hungary and Poland) which have moved further along the path of actively using commodity monetary relations and in which the exchange rate performs the function of an economic instrument to a greater and greater degree—a function which is inherent in it—there exists a considerable difference in the levels of the exchange rates. This reflects the objectively existing price differentials. In those countries where the exchange ratio serves as an economic instrument to the



least degree, the differences in exchange rates are not great or are completely absent (for example, in the USSR).

The divergences in exchange rates can also depend on the specific structure of exports to the market of the CEMA countries. If exports consist mainly of "currency" goods (including, fuel and raw materials), i.e., goods primarily having a low degree of processing, the difference in the exchange rates is less because their prices differ little or do not differ at all in the different markets. If machinery and equipment, i.e., "noncurrency" goods, occupy a considerable share of exports, the difference in exchange rates is larger since the overstatement of prices for machinery and equipment is extremely significant.

In order to improve the exchange rate mechanism in CEMA member countries, some economists suggest reducing the exchange rate of the transferable ruble with respect to the U.S. dollar, which MBES has set, being guided by the exchange rates of national currencies for the U.S. dollar and the transferable ruble. However, one can hardly agree with such a proposal. You see, the lowering of the MBES exchange rate involves a proportional increase in contract prices and, consequently, the domestic exchange rates of national currencies for the transferable ruble. It is evident that this will restore the difference in exchange rates.

In the CEMA markets, the exchange rates of national currencies for the transferable ruble are an important economic instrument. On the one hand, they reflect the level of contract prices and, on the other hand, "prop up" these prices, not permitting them to be reduced to the level of world prices. It seems that it would be more correct to reduce the exchange rates of the national currencies for the mutual accounting unit (transferable ruble) in accordance with their exchange rates for the U.S. dollar. This would contribute to lowering contract prices to the level of world prices and, thereby, eliminate the disparity in the area of both prices and exchange rates. However, this approach is possible only by restructuring the entire accounting system in combination with a change in the economic mechanism for cooperation as a whole.

At the present time, various alternatives for improving the CEMA currency and financial system are being examined in practical work.

**The capabilities of the transferable ruble.** Supporters of the present accounting system in transferable rubles proceed from the fact that domestic economic preconditions must be established for its radical restructuring. They talk about the implementation of economic reforms to strengthen cost accounting in enterprises, establish economically sound prices, adjust the wholesale trade in the means of production, etc. It is pointed out that national markets must first be formed in order to establish a unified CEMA market. That is why it is

still necessary to preserve to a significant degree the administrative methods for regulating foreign economic ties.

In order to eliminate the existing shortcomings in the accounting system in transferable rubles, it is suggested that its individual elements be changed. Stress is placed on establishing economically sound exchange rates of national currencies for the transferable ruble. In the opinion of the supporters of this version, correct exchange rates would insure the balancing of accounts, and, consequently, create definite capabilities for enterprises to use the convertible ruble freely and for its commercialization.

Concerning the bringing of trade conditions in the CEMA market closer to conditions in the world market, it is suggested that this be assured primarily with respect to the mutual deliveries of the most important goods, which are being made in accordance with intergovernmental agreements. The parties would agree that the most favorable conditions, namely those which operate with respect to exports in freely convertible currencies (including, by lowering the exchange rates of national currencies for the transferable ruble), would be established for such deliveries within the countries. For other goods, the price reductions would occur using traditional methods, in particular, by toughening the control over the appropriate competent agencies and by establishing appropriate economic preconditions within the countries.

It is assumed that the achievement of the transferable ruble's convertibility would be assured gradually, in coordination with the solution of the above-mentioned problems and with a consideration for introducing the convertibility of the national currencies of the CEMA member countries.

From our point of view, this version of developing the currency and financial system insures its continuity to the highest degree, without requiring significant changes in the principles for its functioning. The proposed variant allocates an extremely passive role to currency and financial instruments. At the same time, these instruments should not only reflect the objective conditions of cooperation but also actively influence them. In addition, the economic development of the CEMA countries and their mutual cooperation have already moved to a line that requires cardinal changes in the mechanism and not individual adjustments.

That is why the mentioned way to solve the main problems in the currency and financial system would hardly lead to significant results. In principle, marginal clearing does not create more favorable conditions for enterprises. The use of the transferable ruble will always be limited because it is not a payment method in a single CEMA country and is not fortified by an actual commodity mass. A clearing accounting unit is a less understandable and convenient instrument than real currencies for enterprises.



The issuing of this unit (as a result of product deliveries) is such that it is impossible to create an automatic mechanism for regulating accounts. The use of transferable rubles supposes the active participation of central agencies in the functioning of the currency and financial system and, in particular, it imposes on them an extremely specific responsibility for balancing accounts, for the validity of exchange rates, etc. At the same time, the central agencies cannot take all the distinctive features of economic cooperation into consideration, including those at the enterprise and organization level. Their function should consist of establishing and adjusting the mechanism and not of solving specific questions.

Marginal clearing is not capable of insuring that trade conditions in the CEMA market significantly approximate conditions in the world market. It is hardly possible to count on the central agencies' achieving agreements, which would permit prices to be kept at the world price level, if the economic mechanism operates against this and if enterprises and organizations are interested in establishing different prices.

Consequently, it is necessary to establish a currency and financial mechanism that would put economic levers into effect in the international socialist market.

**The prospects for national currencies.** Individual economists are in favor of the widespread use of national currencies in accounts between the CEMA member countries. This would create favorable opportunities for expanding intraregional ties. Enterprises would receive a simple and easily understood economic accounting instrument. More favorable conditions would be created for their participation in economic cooperation and for the development of international specialization and cooperation in production (MSKP). One of the versions of a system for accounts in national currencies is the proposal for the USSR Gosbank to issue, for example, a special international currency—the "chervonets." This currency would be convertible into the Soviet ruble and could be widely used for accounting in the trade operations of not only the Soviet Union with interested CEMA member countries but also between these countries. The chervonets would actually be the equivalent of the Soviet ruble for international accounts.

The realization of these proposals, however, assumes reliable support of national currencies. You see, we are talking about their convertibility within the limits of CEMA cooperation. As is known, however, the convertibility—even a limited one—of, for example, the Soviet ruble is directly connected with the solving of such important problems as increasing the competitiveness of Soviet products; strengthening export capabilities; and establishing a new mechanism for regulating the economy of the USSR, including developing a market for the means of production, implementing price reforms, consolidating cost accounting for enterprises, insuring a domestic and foreign balance, and reducing the state budget deficit.

At the present time, experimental calculations are being made in national currencies. The USSR has concluded appropriate agreements with the People's Republic of Bulgaria, the Czechoslovak Socialist Republic, the Polish People's Republic, and the Mongolian People's Republic and the People's Republic of Bulgaria and the Czechoslovak Socialist Republic have concluded an agreement. These agreements are still only being extended to a limited area of new cooperation reforms (direct ties and joint enterprises); however, the already existing experience testifies that it is impossible to expand accounts in national currencies without establishing the appropriate domestic preconditions. A number of problems are arising in the pricing area, exchange rates and the procedure for insuring a balance. It is extremely difficult to solve these with the absence of well regulated and balanced domestic markets. That is why the use of national currencies in accounts for all goods turnover or a significant part of it would be premature at the present time. **Freely convertible currency as a means for radical changes.** Many economists are examining the plan for shifting to accounting in a freely convertible currency within the CEMA framework. Its main virtue is the fact that it opens up an opportunity to approximate CEMA market trade conditions to world market conditions rapidly by expanding the economic independence of its members and, thereby, establishing the preconditions for the organic inclusion of the socialist countries in the world's economy. The pricing and exchange rate problems, which were examined above, would be completely solved with a shift to accounting in a freely convertible currency.

Accounting in a freely convertible currency would permit contract prices to be set at a level that approximates world prices as closely as possible and on the basis of the competitiveness of the goods that are being offered in the world and regional CEMA markets. The technical level and quality of the products being delivered would be correctly evaluated. This would lead to a reduction in noneffective deliveries and the adoption of measures to regulate ties, which are advisable from an economic point of view. Prices would be used to the highest degree as the criteria of effectiveness.

With accounting in a freely convertible currency, enterprises would receive an opportunity to use a currency that is truly a common equivalent. This would increase their interest in export activity. Accounting in a freely convertible currency would contribute to the establishment of an intraorganizational economic mechanism based on the widespread use of commodity and monetary instruments.

At the same time, the system of accounting in a freely convertible currency is not devoid of shortcomings. First of all, it will not contribute to the expansion of cooperation within the CEMA framework, especially at the enterprise and organizational level. The world market's strict conditions do not permit enterprises to deliver noncompetitive products to the international market. In connection with the fact that the development level of

production forces in the CEMA member countries is not sufficient, many types of products having a high degree of processing, primarily machinery and equipment, may be excluded from the goods turnover. It will be more advantageous to purchase them in the industrially developed countries. Moreover, foreign trade can provide an effect to the national economy, and not by the most modern products, if the advantages of regional integration are used. With the use of a truly convertible currency, the reserves, which now exist for expanding international specialization and cooperation in production, will not be used.

These arguments return us to the idea of using our own price base in the CEMA market. You see, the low world prices, which will be provided for under this system of accounting, do not permit enterprises with an insufficient level of production development to sell their products successfully. Moreover, the CEMA member countries admit in principle—for well known reasons—the need to use the world's price base in mutual trade. The problem of maintaining mutually beneficial ties can be solved with accounting in a freely convertible currency. It is necessary to take into consideration the fact that the major portion of cooperative deliveries is now being organized at the level of the central agencies and that these deliveries (if they are really effective) can be supported by traditional methods for the first time.

Another potential shortcoming of the system of accounting in a freely convertible currency is connected with the fact that the currencies of the developed capitalist countries do not reflect the conditions of cooperation between the CEMA member countries and are an instrument that has been introduced from without. Moreover, the majority of CEMA member countries have a considerable debt in freely convertible currencies. This casts doubt on their capability to allocate additional resources in these currencies for servicing accounts within the community's framework.

However, the lack of currencies to service accounts can hardly be considered an insurmountable obstacle. This shortcoming will be compensated for by using strong currencies in accounting. Sufficient experience in attracting foreign currency for servicing goods turnover within regional limits exists in world practices. The international banks of the CEMA member countries, especially MBES, can help here. In order to reduce expenditures for attracting freely convertible currencies for accounting and reducing currency risks, the collective bank could issue its own freely convertible currency (a new transferable ruble, the chervonets, etc.). This currency would be issued on a commercial basis supported by an actual, freely convertible currency allocated by the interested CEMA member countries.

There is no doubt that the shift to accounting in a freely convertible currency should be carried out gradually so as to provide an opportunity to the countries' enterprises

and economies to reorganize themselves with a consideration for the new cooperation requirements. Considering this, the supporters of this version suggest that clearing with a free conversion of the balance into a freely convertible currency be used during the first stage. It is assumed that the competition by producers, who are delivering products to the world market, will not be so severe with such an accounting. Along with this, the obligation to convert the clearing balance would provide a strong impetus to improving the competitiveness of products being delivered to the CEMA market. During clearing, currency resources are not needed for carrying out the accounting itself. However, it conceals within it a danger that the bringing of CEMA market trading conditions closer to world market conditions will not occur. Then, the parties will strive to balance accounts using commodity deliveries.

In summing up what has been said, we conclude that the development of a currency and financial system for CEMA member countries broadly using freely convertible national currencies is promising. Only this approach will permit the CEMA countries to fully use the advantages of the international division of labor, including within their own region. Here, however, it is necessary to consider a transitional period whose length will depend on the intraeconomic development of the countries and on the preparation of preconditions for introducing the free convertibility of national currencies and to develop clear principles for the functioning of the system during that period.

In our opinion, the use of a multicurrency model, which provides an opportunity to use different units—the transferable ruble and freely convertible and national currencies—will be more effective and realistic in the near future. It will be necessary to introduce national currencies into the accounts at the enterprise and organizational level. Experience in their use would thereby be accumulated. In addition, these accounts would serve as a criteria and stimulus for improving the intraorganizational mechanism. However, these accounts will not provide, at first, a significant portion of the goods turnover.

The major amount of mutual trade would be serviced by a freely convertible currency and transferable rubles. Ready-made prescriptions for adopting specific practical measures during the transitional period are not being suggested here. At the same time, it is possible to single out two alternative actions during this stage.

The first alternative (which is preferable in principle) is to shift to accounting directly in a freely convertible currency (at first—in accordance with clearing by converting the balance into a freely convertible currency). The use of freely convertible currencies would permit the main shortcomings in the present currency and financial system of the CEMA member countries to be quickly eliminated. At the same time, a choice in favor of a freely convertible currency will depend on the economic development level of the corresponding countries and their

readiness to insure the effective functioning of the mechanism for regulating mutual ties based on the broad use of commodity and monetary relations. This requires an extremely resolute change in the present mechanism and can lead, at first, to definite costs: a reduction in trade turnover, the halting of the production of science-intensive products in a number of countries and the reduction of budget incomes from foreign trade. That is why the need arises to develop a list of domestic and foreign economic regulation measures that would insure the strengthening and expansion of mutually beneficial economic ties and the protection of insufficiently effective (from a world point of view), but necessary to the CEMA member countries, production facilities. It is necessary to make such instruments, as subsidies, common financial funds, credits, exchange rates, custom duties, etc., considerably more active.

The second alternative provides for preserving the accounting system for clearing in transferable rubles for some time. Under this, a very rapid shift of cooperation to a market base would be extremely important. In particular, it is necessary to expand decentralized goods turnover and the direct ties of enterprises in every way

possible. An agreement on their basic commercial conditions, etc., should precede agreements on goods deliveries. At the same time, the appropriate conditions would be created within the countries.

It also seems advisable that "currency"—in other words, competitive—goods which can be sold on the world market, be sold basically using freely convertible currencies. This would permit an equivalence to be achieved in the accounting for the most important product deliveries while preserving at the same time favorable conditions for expanding trade in "noncurrency" goods, including machinery and equipment, and for expanding international specialization and cooperation in production.

These development alternatives could be implemented at the same time by different groups of countries in accordance with their interests. You see, the radical restructuring of the mechanism for socialist economic integration, including the currency and financial system, dictates the need to search for unusual approaches to defining ways to implement it. The presence of different points of views, their analysis and the continuous comparison of the results achieved should contribute to the development of more correct solutions.

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### Foreign Firms To Make Estonian Coins, Stamps

904A0249A Tallinn SOVETSKAYA ESTONIYA  
in Russian 1 Mar 90 p 3

[Interview with Reyn Otsason, president of the Bank of Estonia, by L. Sher; date and place not specified: "Reyn Otsason: The Goal of the Trip Was Achieved"]

[Text] As already reported, a delegation of Estonian bank workers and printing specialists visited Hungary and Austria. The delegation was headed by the president of the Bank of Estonia, Reyn Otsason, who consented to a brief interview.

[Sher] Do you feel that the principal goals of the visit were achieved?

[Otsason] To a certain degree. I have already mentioned the fact that our specialists became acquainted with the technology for printing money in different states. And negotiations produced results such that in Hungary they were prepared to furnish us with assistance in the coining of money and medals and in Austria we engaged in talks on the printing of postage stamps for us, since they do not have the printing potential for printing money for foreign customers. We were aware of this and thus in Austria our chief concern was that of relationships with banks—in the interest of solving those problems concerned with the issuing of credits to us. Our Austrian colleagues prepared a very successful program in this regard. A most important element of this program was a visit to the president of their country, Kurt Waldheim. The political attention showered upon us created considerably more favorable conditions for the carrying out of other negotiations. We held such talks with the State Bank of Austria and a number of commercial banks, including the Danube Bank—a joint banking institution of the USSR and several foreign countries. The results turned out to be quite good. One of the commercial banks agreed to conclude with us an agreement for collaboration, which we signed. It calls for the opening up of correspondent accounts, such that the Bank of Estonia is now able to carry out operations abroad. This same bank agreed to work out recommendations with us calling for the creation of a credit fund for the introduction of new equipment. To all appearances, it will be a small fund and yet it will be able to satisfy the requirements of many of our enterprises, especially small ones, in acquiring new technological innovations. The second agreement that was signed was concluded with the Danube Bank, which agreed to examine our proposal for the issuing of credits for especially effective investments in our national economy.

[Sher] And how is it possible to determine the most effective means for the investment of resources?

[Otsason] Here a very complicated problem is lying in wait for our republic. Throughout the entire world, state banks are very rich. Thus all of them are prepared, as guarantors for credits, to have a central state bank. But the Bank of Estonia is not included among the rich and

we must create for it the ability to guarantee credits. The simplest method—to transfer the reserves of gold and hard currency to the Bank of Estonia. We will not receive them. The transfer to the Bank of Estonia of a certain amount of rubles will not satisfy us. They are not rated very high in international accounts. The third possibility—the availability to the Bank of Estonia of property which has real value and which could serve as a guarantee at those times when credit is extended erroneously and the recipient is unable to make repayment.

This is a very difficult question. But we must solve it. Certainly, the transfer to the Bank of Estonia of a group of enterprises or certain natural resources is not meant to imply that the bank will direct them. But in the case of an accident, when there is no possibility of the credit being repaid, we must be prepared to part with a portion of these material values. This implies that all of the work of the republic and its bank must be carried out with a maximum sense of responsibility. Otherwise, we will become bankrupt. Our partner, by investing his resources in our economy, is accepting a risk and is justified in requiring reliable guarantees.

[Sher] The Danube Bank—is a joint facility. Has not its Soviet partner expressed any objections against the agreement?

[Otsason] To the contrary, I sense support being offered by the Soviet workers of this bank. But permit me to return to the theme already started. I believe that we must, while relying upon the agreement with this bank, carry out a competition for credit plans and select with the aid of skilled experts those plans which will produce the greatest results for the republic in the return of credits, plans in which we can be completely confident.

[Sher] Tell me, will it be difficult to create the Bank of Estonia in a completely empty place?

[Otsason] Very much so. I can only add that the novelty nature of the task makes this work attractive. We must be able to find such points of support and to create the bank and also a reputation for ourselves that will make us acceptable as a reliable partner.

[Sher] And the last question: how is the work proceeding with the printing of our own currency?

[Otsason] We have seven proposals from different countries. Thus the possibility exists of carrying out a detailed and thorough selection.

### Joint Enterprises, Free Economic Zone Proposed For Tajik SSR

904A0247A Dushanbe KOMMUNIST  
TADZHIKISTANA in Russian 21 Feb 90 p 3

[Article by A. Zavulunov, head of the Department of Foreign Economic Relations of the Council for the Study of Productive Resources of the Academy of Sciences of the Tajik SSR and Doctor of Economic Sciences, and D.



Karimov, corresponding member of the Academy of Sciences of the Tajik SSR and Doctor of Economic Sciences: "Republic in the International Market"]

[Excerpts] The radical restructuring of foreign economic relations, which has commenced in the USSR, is directed towards increasing the role played by foreign trade in accelerating the country's socio-economic development. The great amount of social and economic tension in our country is explained to a large degree by the fact that our economy has not been included in the international system. Thus we have fallen behind the world's developed countries at the technical and technological levels in production organization, in the nomenclature for products and in operational methods. As a result of all this, the effectiveness of social production started falling and a decline was noted in the level of labor productivity.

The inclusion of the country in the international economy will make it possible to eliminate socio-economic tension and to extricate the country from this situation. The experience of the KNR [Chinese People's Republic] and new industrial countries reveals that the successes achieved by them were associated mainly with the inclusion of their economies in the international economy.

The traditional forms of economic collaboration are incapable of ensuring dynamic economic growth. Thus a program was followed aimed at developing direct economic contacts, creating joint enterprises, establishing scientific-technical relationships and others. The functions of foreign economic activity in the various areas have been turned over to—the ministries and departments of the republics, to associations and enterprises, and the USSR Ministry of Foreign Economic Relations has been assigned control over the observance of state interests in the foreign market.

[passage omitted]

Under the conditions imposed by a shortage of investments, one principal and effective trend is that of attracting foreign capital and modern equipment and technologies, for the purpose of creating joint enterprises in the leading branches of industry. However, this new and promising form of foreign economic activity is being introduced into our republic very slowly. The foreign firms still appear to be unwilling to "come" to us. As yet, there are only three joint enterprises: one with an American firm and based upon the Ministry of Light Industry—a fur production association; a second—based upon the Ministry of Grain Products—a joint Soviet-Swiss enterprise for foreign tourism; a third—attached to the Dushanbe gorispolkom [municipal executive committee] for housing construction. In all, the country has more than 1,000 joint enterprises.

Although the construction of the fur production association is for the most part being carried out successfully, the question concerning the availability of raw material resources (pelts, caustic soda, salt and others) has still

not been fully resolved. And it requires credits for raw materials and other materials. The enterprise also has many other unresolved problems: a current account (foreign currency and ruble) has been opened in Zhilsotsbank and money is being added to the account. But the enterprise cannot use it (for purchasing equipment or for paying for raw materials and other materials). Each time it is necessary to fly to Moscow in order to carry out some operation. The American firm is unable to open its own current account in Dushanbe. The problems concerned with providing the enterprise with apartments and vehicles are being resolved very slowly, and this is inhibiting the timely invitation of specialists from abroad.

The foreign enterprises and firms usually strive to invest their capital in regions which already have prepared social and production infrastructures and a skilled working force.

Among the more important factors restraining the development of the republic's export potential and the inadequate number of joint enterprises that have been created, the following four should be singled out.

The first—the administrative bureaucratic system of economic administration has created such an expenditure mechanism for management that the economy now turns out to be unreceptive to innovations and non-competitive and, it follows, unable to join in the international system.

The second—A low technical level for the republic's economy compared to the average union level: in a group ranging from 5 to 10 years, not less than 50 percent of the equipment in machine building and metal working is obsolete and items more than 10 years old—physically worn out for all practical purposes. In other words, more than one half of the working equipment in this branch is in need of renovation. A similar situation is found in other branches of industry and this means that the republic's export structure leans more towards raw materials and products marked by a low degree of processing.

The third—the undeveloped nature of the production infrastructure (transport, warehouse, refrigeration and power engineering economies).

The fourth—low availability of objects of the socio-domestic infrastructure.

Naturally, under such conditions the foreign firms do not wish to "come" to Tadzhikistan, even though the republic is described as being rich in natural resources and unique natural-climatic conditions which, in combination with considerable labor resources, make it possible to improve the republic's economy in an effective manner. Thus the primary task consists of creating an economic mechanism, attracting foreign firms in a more active fashion and launching campaigns aimed at developing the republic's resources.

Governmental decrees on stimulating the foreign economic activities of state, cooperative and other enterprises, associations and organizations have provided the Far Eastern economic region with rather considerable privileges. At the same time, this region, in terms of its geographical location, possesses considerable advantages compared, for example, to the Tajik SSR. These advantages have to do with the consumption of available resources, including a freely convertible currency, and also the release of joint enterprises from having to pay a tax on profits during the first three years that such profit becomes available. Regional aspects are not properly reflected in the new mechanism for foreign economic relations. How is it possible to interest the local organs of power in mobilizing additional export potential? What privileges should be established for resources? A solution is needed for these and other problems, since it will aid in defining correctly the strategy for developing the foreign economic relations for a particular region. In order to stimulate foreign economic relations, a need exists for placing in operation an economic mechanism which will coordinate the interests of individual territories and branches participating in the creation of joint enterprises with the firms of foreign countries. The absence of territorial differentiation in the existing system of advantages for joint enterprises lowers the interest of foreign firms in locating them far from the center, in the various regions. To the contrary, territorial differentiation in the system of taxation, through the establishment of appropriate advantages, lower rates for services for the production infrastructure and reduced norms for payments for labor and natural resources, will raise the interest of foreign firms in our region. In other words, both in the Far Eastern economic region and in Tajikistan, legislation must be introduced freeing the joint enterprises from having to pay tax on profits during the first three years that such profit is obtained. Ideally, the tax on profit created by them in the republic should also be reduced to 10 percent and no tax should be imposed for a certain period of time upon that portion of the profit due a foreign participant when transferring it abroad. More favorable conditions must be created for investors and they must be released from having to abide by certain formalities.

Importance is attached to the relationships established between the joint enterprises and the territory on which they were created. For achieving a high operational effectiveness between the joint enterprises and a region's economy on the whole, mechanisms are needed for ensuring coordinated actions on an equivalent basis. The local organs of administration are economically responsible to the enterprises for the quality of the resources and services made available, for interruptions in the supply of power and fuel and for creating normal conditions for their workers. Improvements in the foreign economic activities must be directed towards the structural reorganization of the economy.

A number of practical steps must be carried out in this direction.

During the next few years, the processing of cotton fiber in the republic must be increased considerably. The construction of a number of spinning and weaving enterprises, other enterprises of the light industry and labor-intensive production operations, as called for in the Basic Directions for Economic and Social Development During the Period 1986-1990 and for the Period Up To the Year 2000, can be carried out fully as joint undertakings with other countries.

In the future, the high rates of growth in labor resources will require priority development for the labor-intensive production operations in machine building. In essence, this involves the creation in the republic of scientific-intensive production operations.

An important trend is the accelerated development of a horticultural wine-making complex and an increase in the production and deliveries of citrus crops. Tajikistan can become a large exporter of seedless grapes and raisins. The republic can also increase considerably its production and delivery of citrus crops. The outlook is as follows—the organization of joint enterprises for the production and sale of lemons and products obtained from their processing, with the aid of foreign investments and technologies.

And finally, a promising trend—the development of foreign tourism, mainly through the creation of joint recreation complexes in the republic (mountain-skiing, health resorts, hotels).

One of the chief means for increasing the flow of foreign investments could be the creation in the Tajik SSR of a free economic zone. This would be a long-term form for economic collaboration among countries. In the Tajik SSR, such opportunities are to be found in Kurgan-Tyubinsk Oblast, Dushanbe and in adjoining regions. In Kurgan-Tyubinsk Oblast, favorable factors exist for the development of labor-intensive branches of the textile industry, the agro-industrial complex and machine building. Dushanbe's scientific-technical potential is permitting the development here of scientific-intensive production operations and also the construction of joint operations for the leading branches of the city's national economy.

At the same time, work should commence in connection with solving the problem of creating a free zone for border trade with Afghanistan.

What is the conclusion?

The foreign economic activities of the Tajik SSR must affect all aspects of the region's economic and social development while solving two principal tasks: accelerating the republic's socio-economic development and increasing the republic's contribution towards the export potential of the USSR.

### Economic Assessments of U.S. Consulting Firm "Plan Econ" Viewed

90UI0332A Moscow IZVESTIYA in Russian  
30, 31 Jan 90

[Article by M. Berger, special IZVESTIYA correspondent, and A. Orlov, special TASS correspondent (Frankfurt-on-Main): "Exchange of Opinions for Pay; Notes on an International Conference"; first paragraph is IZVESTIYA introduction]

[Morning Edition 30 Jan 90 p 5]

[Text] An international conference on "Privatization in Eastern Europe and the Soviet Union: Investment Opportunities for Western Business" was held in West Germany and was attended by representatives of the largest banks and by entrepreneurs and businessmen from many countries. It was organized by Plan Econ, an American consulting firm specializing in comprehensive analyses of the economies of eight East European countries (the Soviet Union, Poland, Yugoslavia, the GDR, Hungary, Romania, Czechoslovakia, and Bulgaria). This was the first time that Soviet journalists had attended a Plan Econ conference along with economists from the USSR. Invitations were sent to IZVESTIYA and TASS.

Economic Sovietology is experiencing a boom. Those who supplied research to only a relatively small group of clients (primarily from the academic and political communities) for a long time, those who were usually outside the interest of most businessmen, and those who were ostentatiously ignored in the country they were studying, suddenly became the center of attention. The political and economic reforms in the socialist countries diverted so much business interest to the East that the demand for this kind of information began to exceed the supply dramatically. Many consulting firms were not prepared for this.

Plan Econ, a small company but one with an unwaveringly solid reputation (references to it can frequently be found in the most influential Western publications, and recently even in our central press), won perceptible advantages in this sphere. What do we mean by "won"? It earned them, because it had been studying the planned economies (this is how the firm got its name) and the potential of East European markets long before there was even a hint of the present changes.

It is a long way, however, between the display of interest and the decision to invest capital, and sometimes the distance is insurmountable. No one wants to suffer losses, but no one wants to lose possible profits either. How can this absolutely unfamiliar system of economic coordinates be mastered? What are the implications of this huge new market? What kind of behavior might lead to success or to trouble? What are the general and specific "rules of play"?

Without learning the answers to these and many other such questions, Western businessmen are unlikely to

become involved in serious transactions, regardless of their political sympathies or the amount of venture capital they have.

Plan Econ and other such firms help them answer the necessary questions and then to decide whether it will be worthwhile to invest money in the Soviet economy and other East European markets.

How does Plan Econ do this? In addition to organizing around two paid conferences a year for businessmen from all parts of the world, the firm regularly sends reports to its subscribers. The main one is a weekly information bulletin. The reports are relatively short—from 20 to 60 pages of average journal size, depending on the subject and the amount of information available.

The information bulletins usually deal with a current general or local topic, such as the latest quarterly, semi-annual, or annual report of the USSR Goskomstat [State Committee for Statistics] or the state of joint ventures in our country. The Plan Econ specialists analyze each topic in minute detail and also present visual aids—tables, graphs, and diagrams—providing a virtually exhaustive description of the topic.

In compiling its reports, Plan Econ uses our official sources of information and isolated data from specialized and general periodicals, looks into Western sources, including CIA reports, and conducts its own calculations, which frequently do not agree with the figures cited by Goskomstat or the American intelligence community. Interested individuals and firms are free to draw their own conclusions from all of this.

The biggest differences between estimates, at least until recently, have been between Plan Econ and Goskomstat figures. After the latest statistical report on the results of the socioeconomic development of the USSR during a particular period has been issued, Plan Econ issues its own survey, which is based primarily on our data, but recalculated in line with international procedures. As a result, the firm arrives at completely different conclusions with regard to many major economic indicators. It is interesting that excessively complimentary evaluations, judging by these surveys, are characteristic not only of our statistical agencies, but also of the CIA. The probable reason is that the CIA and Goskomstat have a definite social function to perform.

Using our own indicators as a basis, Plan Econ calculates what Goskomstat does not want to report—for example, the level and rate of inflation, the exchange rate of the ruble and of foreign currencies on the black market, etc. In other words, it is as if it holds up our statistical image of ourselves and says: Now take a look at how things really stand in your country.

We must admit that the differences in assessments have recently grown smaller.

In addition to sending out the information bulletin for an annual subscription fee of 1,200 dollars, Plan Econ



draws up biannual long-term (and extremely lengthy) forecasts of economic conditions in the eight East European countries and special energy, chemical, foreign trade, and financial surveys. These surveys cost 2,600 dollars a year.

These prices might seem outrageous to some, but, first of all, top-quality business information costs money and, second, specialized publications are usually expensive because of their low circulation figures. There are only 200 subscribers to the information bulletin, and around 50 to the longer surveys. The price has to cover the cost of preparing the reports and provide the firm with an adequate profit. Of course, it has no objection to increasing the number of subscribers, but even 250 provide the firm with the money it needs for successful operation.

In general, our ideas about commercial success are often related directly to the size of the enterprise: The bigger, the better. Our obsession with the gigantic scale seems to be a strong genetic trait. The Plan Econ firm, however, which is operating successfully and is widely known to specialists and businessmen dealing with the East, employs just 10 people. The firm hires acknowledged authorities in their field for the preparation of the information bulletins and special surveys. This is much more efficient than maintaining a permanent staff of experts on each of the possible topics of surveys: chemicals, energy, finance, construction, etc. If the firm had done this, it might be comparable to the average economic institute in our country, not only in terms of the number of people employed but also in terms of product quality (which would probably fly out the window).

The experience of Plan Econ proves that work "meeting world standards" can be performed quite efficiently without accumulating a large staff of scientific and near-scientific personnel.

It is not so easy to find 150 businessmen—and, consequently, extremely busy men—from all over the world who are willing to pay 1,250 dollars (not counting travelling and hotel expenses) just for the right to spend 2 days listening to speeches, reports, and debates on a specific topic. When one of the best-known American consulting firms held this kind of conference in the United States a year ago, it lost around 20,000 dollars instead of making the profit it expected. The Plan Econ conference, on the other hand, will provide the organizers with an impressive income.

The conference in Frankfurt took more than 2 months of preparations. The firm began by sending out 6,000 promotional invitations. To whom? Naturally, to those who were already working with East European countries, who intended to invest capital here or were at least ready to consider this possibility.

Then the location of the conference had to be chosen. It had to be a city conveniently located for most of the participants. It had to have a hotel with all of the necessary facilities for this kind of gathering. If Plan

Econ had tried to do all of the organizing work, it probably would have suffered substantial losses and most probably would not have been able to do everything quickly and efficiently. Maintaining an office in Europe to stay in touch with those intending to attend the conference, to choose a suitable hotel, and to make all of the necessary arrangements—all of this would have been extremely expensive and probably indefensible from the commercial standpoint.

For this reason, much of the organizational work was taken on by another firm—DRI-Europa, which had considerable experience in this field and the necessary business contacts.

The conference had some organizational features that were somewhat unfamiliar to us. First of all, no one ran off after the lunch hour, and the room was just as full in the last hour of the gathering as it had been in the first. Second, the lunch hours were not just mealtimes. A microphone was installed in the lunch room with its big round tables, and a luncheon speaker had the floor between the entree and the dessert. Furthermore, these were usually the most important speakers, and they had more time to speak than those who presented reports in the main auditorium. The luncheon speaker was given 45 minutes, not counting the question and answer period (the speeches in the auditorium lasted from 20 to 30 minutes, and this brevity is also indicative).

No one was offended by the "insertion" of the speech into the luncheon. On the contrary, these were the main speeches and the most eagerly awaited events at the conference. The luncheon speakers were M. Palmer, the U.S. ambassador to Hungary who had flown here from Budapest specifically for this purpose; prominent West German politician and former Minister for Economics O. Lambsdorff; and Academician O. Bogomolov.

It is significant that most of the speakers and most of the participants in the scheduled debates were not researchers, as we might have expected, but professionals in practice: financiers, consultants, entrepreneurs, and politicians. Furthermore, all of them, judging by their statements, were distinguished by impressive practical experience and by proficiency in profound scientific analysis.

We will relate what they said and what kind of predictions they made and conclusions they drew in our next report.

#### [Morning Edition 31 Jan 90 p 5]

[Text] We must admit that the extremely optimistic assessments of the production potential and economic prospects of the East European region, including the USSR, we heard at the conference came as something of a surprise. We have grown accustomed to harsher judgments and forecasts. This has probably happened because we have been preoccupied with our problems and difficulties, whereas the Western experts pay more attention to possibilities, both existing and anticipated.

In any case, the businessmen, professionals, and analysts, who were not bound by social obligations or by other conventions, said that the USSR and its allies have all of the essentials: natural resources and a skilled and extremely cheap labor force. We have a fairly high percentage of VUZ graduates in the employed population and a relatively high overall level of industrialization.

There is a shortage of something minor—the incentive to enhance the quality and intensity of labor. This disastrous shortage results in low labor productivity, the devaluation of national currencies (the ruble, the zloty, the leva), a colossal (as in the USSR) internal debt, and the heavy burden of foreign debts (with the exception of Czechoslovakia and the GDR). This same category—of negative consequences—includes the centrally planned economy's non-receptivity to scientific and technical progress and the possibility of misdirecting the economy with impunity. The combination of all this creates an economy of shortages, in which the impossibility of converting money into material and other goods deprives the employed population of the incentive to work and thereby causes production itself to decline.

How can this vicious cycle be broken? If we summarize most of the opinions expressed at the conference, the answer could be reduced to a single word—"privatization." This term has such broad implications, however, that we feel it would be more correct to speak of the de-nationalization of the economy.

"Without this," said Plan Econ President Jan Vanus, "any economic reform will be only a palliative. So far, it is as if you have decided to replace your square wheels with octagonal ones. This is certainly better, but unless you immediately consider using the round wheels the rest of the world uses, it will be difficult to keep up with everyone else in the race."

We will not judge the aptness of the American analyst's comparison, but there is no question that we are behind in the economic race, and quite far behind. Let us consider the financial side of the matter. Poland's indebtedness in hard currency to the Western countries amounted to 39 billion dollars at the end of 1988, Hungary's debt was 19.3 billion, Yugoslavia's was 18.7 billion, and the USSR's was (according to different estimates) from 48 billion to 57 billion. Besides this, the internal state debt of the USSR reached 400 billion by the end of 1989, or 44 percent of the gross national product (GNP).

But this is not all. There is also another form of indebtedness which is almost never mentioned by Soviet economists—the "negative" capital investments in fixed assets. In other words, this is a debt owed to the country's current supply of machines and equipment, which should be renewed but is not being renewed. We must admit, after all, that we are not accustomed to calculating all of this in the form of debts. In any case, this

thought never even enters most minds, but this debt will have to be paid off—otherwise, an effective economy is out of the question.

For Czechoslovakia, one of the most prosperous countries in Eastern Europe, this form of indebtedness, according to Plan Econ estimates, could be as high as 1.5 billion koronas, or eight times as great as all capital investments in 1988. Data for our country were not cited, but it is easy to imagine how high the figure must be, especially if we add the same kind of debts we owe to the supply of housing, public health care, and the environment.

What will privatization accomplish? Here are some of the arguments voiced at the conference. The sale of stock in state enterprises to foreign entrepreneurs to cover payments on the foreign debt will simultaneously reduce the debt and bring much needed technology, know-how, and managerial experience to Eastern Europe, augment its export potential, and thereby aid in the quicker liquidation of the remaining foreign debt.

Although this might seem odd to some, privatization would effectively stop the polarization of the society, in which there is a "superconcern" at one pole—the state, which owns everything, including the land, buildings, and almost all production equipment—and the population at the other, making a futile attempt to convert its savings into goods or services. The issuance and sale of enterprise-backed securities to the population would deal a lethal blow to inflation, which could easily become the entire society's "number-one enemy" under present circumstances.

An argument against privatization always comes up in the discussions of the draft Law on Property in our country: This is capitalism and, therefore, exploitation.... Apparently, when our own ministry or department appropriates the lion's share of our final product, allegedly in the state and public interest, it is much nicer than the capitalist exploiter with his more modest claims.

Another problem connected with a "social stereotype" is the attitude toward foreign investment in the Soviet economy. Theoretically, it would seem to be clear that a modern competitive economy cannot exist without active inclusion in the world economy. This means that the attraction of foreign investments is also necessary, and this should not give rise to a national inferiority complex because the most highly developed economies in the world cannot get along without this. We, on the other hand, see the first, extremely modest attempts at this as encroachments on our basic structure and on the independence of our state. Why, for example, is the Novgorod "public" trying to sabotage the decision local authorities have already made to organize a free economic zone in the oblast? Apparently, it is difficult for this public to understand that our dependence on world

market prices for raw materials (and our backward economy has almost nothing else to sell) is much more shackling.

The experience of most of the economies which have risen up out of ruin and poverty testifies that foreign capital must be attracted, and not simply by kindly "permitting" it to operate within our territory, but by creating the most favorable conditions for this, so that the investor will decide to invest his money in Mariupol instead of Singapore. According to one of the speakers—Stan Rudchenko, the vice president of a large London bank—around 50 billion dollars "roam" around Europe each year in search of a suitable address. If they enter Eastern Europe, they face the possibility of technical difficulties and risks. Jan Vanus is firmly convinced, however, that much in this "risk zone" today can be acquired for one-third or one-fourth of what it will cost tomorrow, after the completion of the economic reforms.

The most promising areas for foreign investment discussed at the conference were tourism and chemicals, primarily organic (because of the simplicity of their production, the relatively high quality of the products, and the possibility of selling them for hard currency). Some fields of heavy machine building also warrant consideration. After all, heavy machine building is the backbone of the East European economy, and this opportunity should be seized. Even if it will be difficult at first to produce machine tools guaranteed to sell on the world market, why not try the joint production of some parts and components while gradually increasing the East European partner's share of the work?

The materials distributed at the conference included Plan Econ's table of the comparative appeal of East European countries to Western investors. Above all, the criteria chosen by the firm's specialists were interesting. In particular, they included the state of the economy and the prospects for reform, the rate of inflation and the size of the foreign debt, the country's access to the EEC market, the level of work skills and the work ethic, receptivity to foreign capital investment and prospects for foreign aid, the possibility of transferring profits and democratic traditions. Countries were rated on a scale of 1 to 5 in each category.

What was the investment rating of the eight East European countries? The overall winner was Czechoslovakia (with a 4+ average), the GDR was in second place (4), and Hungary came in third (4-). Our country shared the fifth and sixth places with Yugoslavia, with only Bulgaria and Romania ranking below us. We had the highest number of points for the size of our market and our resource supply, and also for our relatively low foreign debt—170 dollars per capita (1,820 dollars for Hungary, 1,030 for Poland, and 790 for Yugoslavia). We "flunked" the work ethic and got a "D" in democratic traditions. Therefore, the fear that our country will be invaded by foreign investors is a gross exaggeration.

If we do want to attract capital, however, we will certainly have to change the terms of its investment. Of course, the size of our market and the fact that we have resources are important advantages. Besides this, we could add (or emphasize) our cheap labor force with its high level of education.

Of course, it is rather unpleasant to realize that one of our chief merits is our low price (the average wage, according to Plan Econ estimates, does not exceed 2 dollars an hour in any of the countries in this region, and this means that it will be 50 cents in Hungary after the steep devaluation of the forint), but this is a fact we must face.

The possibility of hiring a whole laboratory of qualified chemists instead of a single Western specialist is appealing, but the stereotype of the indisputability of this advantage was completely shattered. As one of the speakers asked, why is the volume of foreign investment much greater in Spain and Portugal than, for instance, in Greece or Turkey? Because Spain and Portugal became members of the EEC in 1985, and access to the markets of developed countries, especially the EEC, is a more important criterion of appeal, according to several experts, than the low cost of labor.

An interesting argument broke out over the most effective forms of foreign investment. Some speakers said that the joint ventures which are so popular in Eastern Europe should be viewed only as the first step toward economic collaboration. Joint ventures are not very viable in themselves, judging by the extremely high percentage of "divorces" throughout the world (it is relatively low in our country because no more than 15 percent of the joint ventures have actually begun operations). In the opinion of the experts supporting this point of view, the most promising investments are direct investments in production—i.e., purchases of stock or whole enterprises.

The need to recognize the equality of different forms of ownership and, consequently, the need for privatization were suggested several times at the conference. All of this constitutes the economic basis of pluralism and democracy. By the same token, the opposite—the complete nationalization of property—is the basis of the monopolization of power by the one-party system.

We can have different reactions to what was said at the conference in Frankfurt and to the conclusions and recommendations voiced at gatherings of this kind in general, but we must not miss an amazingly favorable opportunity to open up our economy and society. Otherwise, we will have to reconcile ourselves to the way we live and work today.

In this sense, the Frankfurt conference and objective economic Sovietology in general are helping us attract the business community's attention, and this is not a minor accomplishment because it could be followed by investments, technology, and managerial experience. In any case, this kind of exchange of views undermines the



monopolization of assessments and conclusions by our domestic departments and experts.

### **Uzbek SSR Council of Ministers Urges Development of Foreign Economic Ties**

90U10369A Tashkent PRAVDA VOSTOKA in Russian  
16 Jan 90 p 2

[UzTAG report on session of Uzbek SSR Council of Ministers Presidium: "Uzbekistan and the World: Economic Ties"]

[Text] Several resolutions have been passed in the last 3 years on Uzbekistan's economic, scientific, and technical contacts with foreign countries. Each has played a definite role in the development of different areas of this activity and in solving several organizational problems. More than 90 participants in foreign economic contacts, with the right to conclude agreements, have been registered in the republic. The republic has four foreign economic associations, and new associations for business cooperation, joint ventures, and their branches are being established. Regrettably, the results of this work still do not meet current requirements.

This is why measures for the further improvement and development of the republic's economic ties with foreign countries were the topic of discussion at a session of the Presidium of the Council of Ministers.

The enhancement of the effectiveness of foreign economic ties will be of special importance to Uzbekistan.

The present system for the management of foreign contacts cannot cover the entire range of functions connected with the guarantee of effective development. The functions of sectorial and territorial bodies in charge of this kind of activity must be reviewed, they must be manned with qualified personnel, and we must have an efficient structure for the management of the republic's economic ties with foreign countries.

At this time the ministries and departments of the Uzbek SSR and the ispolkoms of soviets of people's deputies are making little use of new forms of cooperation—joint ventures with foreign firms, direct production relations, cooperative manufacturing ventures, and the joint development and incorporation of the latest technological processes.

Development projects are already being conducted, and protocols of intention and agreements on the organization of more than 50 joint ventures have already been signed, but as of 1 January only 15 had been established. Not one venture has been established by the State Committee for Agriculture, the Uzbek SSR Ministry of Light Industry, or construction organizations, although they have substantial material and labor resources.

Too little attention is being paid in the republic to the most reliable source of foreign currency—foreign tourism. The monopoly of the former State Committee

of the USSR for Foreign Tourism, the consequent indifference of republic organizations, and the underdevelopment of the infrastructure of foreign tourism led to the inadequate use of colossal tourist potential. Each year Uzbekistan is visited by 60,000-70,000 tourists from foreign countries, but foreign currency receipts do not exceed 10 percent of the income from tourism.

Because of this, the recently established Sayekhintur republic association has been asked to work with the ispolkoms of local soviets of people's deputies and with transportation, trade, and construction organizations on the immediate establishment of the republic's own material base. The question of the transfer of the former State Committee for Foreign Tourism's hotels and material assets to republic jurisdiction must be settled.

The development of foreign economic ties is being impeded by the inadequate training of the administrators and specialists of ministries, ispolkoms of local soviets of people's deputies, enterprises, and organizations in this field.

The creation of a system of personnel training and advanced training will necessitate the radical improvement of the material and technical state of the VUZ's educating specialists in foreign relations and the completion of all the arrangements to open a branch of the Foreign Trade Academy in Tashkent.

The republic has no single network of legal and informational support for foreign economic relations. This is why enterprise and organization managers do not have all of the information they need to compete successfully in the world market. The organization of the production of goods meeting the demands of foreign buyers is made impossible by the absence of a competent republic organization to conduct comprehensive market analyses.

Many administrators of branches, enterprises, and oblistpolkoms reduce foreign economic ties to an endless chain of "orientation tours" and an absolute waste of foreign currency. Unsupported declarative protocols of intention and even acceptances of agreements on behalf of the republic are being signed. Import goods are being purchased without any particular need for this, and serious violations are committed in the process. The irresponsible use of foreign currency by the Khlopkoprom republic production association led to the acquisition of equipment and goods for secondary needs at a time when agriculture did not have an adequate supply of equipment for the processing and storage of produce and when the level of social and medical amenities in rural areas was extremely low.

We must strive for the considerable expansion of the export base, the organization of direct contract relations with the recipients of cotton in socialist countries, and the creation of a monetary support system for foreign economic ties. In addition, USSR Gosplan and other union bodies must reach a decision on securing currency resources in the convertible rubles allocated for exports

of raw cotton to socialist countries on state requisitions and compensating for imported consumer goods and equipment.

This work should be organized mainly by special subdivisions of ministries, oblispolkoms, and enterprises, republic foreign economic organizations, and the Uzbek SSR Foreign Economic Bank.

A decree was passed on the topic of discussion.

It stipulated that the administrators of ministries, departments, enterprises, and organizations in the republic, the Council of Ministers of the Kara-Kalpak ASSR, and the ispolkoms of soviets of people's deputies will be responsible for the effective development of cooperation with foreign countries, the efficient use of foreign currency and imported equipment, and the expansion of the export base.

### Foreign Licenses Key to New Technology

90UI0321A Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian  
No 12, Dec 89 pp 163-170

[Article by E. Ya. Volynets-Russet, candidate in economic sciences, USSR Ministry of Foreign Economic Relations Foreign Trade Academy, Moscow: "International Trade in Licenses"]

[Text] Trade in licenses is among those invisible foreign trade operations about which it is impossible to obtain information in full volume. The world press usually illuminates no more than half of such deals. The fact is that there is no publicity on the absolute majority of license agreements. Part of them are secret. Part are paid for by the licensee firms with stock in their industrial enterprises (the licensor becomes the co-owner of the licensee's enterprises). A significant number of deals take place in the form of exchange without any additional payments, and many of them bear a compensatory character, when the licensees pay for the licenses in products manufactured on their basis. There is no information on the license deals of partners in the creation of joint enterprises, when the technology handed over by licenses becomes the contribution of one, and possibly both partners. Often there are no reports on the license transfer of scientific-technical achievements between firms which manufacture products on the basis of cooperation, as well as in concluding mutual international license deals. There are no publications at all about licenses concluded between companies within the country, although the products manufactured under these licenses are exported to other countries. We know nothing about the licenses accompanying other foreign economic and scientific-technical ties, since the conditions of their sale are stipulated in the basic contract and kept secret by the contracting agents. Sometimes it happens that licenses are given under the guise of other foreign trade deals. Moreover, the statistics on licensing

operations are largely based on surveys of companies, which may provide information which is far from complete.

International trade in licenses takes place primarily between the industrially developed capitalist countries. According to the published data, annual license revenues to these countries by the mid-80's reached \$16 billion.<sup>1</sup> However, if we consider the fact that this sum is based on only 50 percent of the reporting of such deals, then in reality by the mid-80's this sum comprised no less than \$32 billion annually.

In the international practice of trade in licenses, the licensees pay the licensors an average of 5 percent of the product price. Consequently, the approximate cost of the latter by the mid-80's, according to the most conservative estimates, comprised \$640 billion, or 65.3 percent of the total price (\$978.618 billion dollars) of all chemical products, machinery, equipment, transport means and other processed goods manufactured in the industrially developed capitalist countries and supplied for export in 1985.

By the mid-80's the developing countries bought up to 25 percent of the licenses from the industrially developed countries and exported to them 61.2 percent of the machinery and equipment manufactured on the basis [of these licenses]. Consequently, in 1985 products in the sum of \$397.104 billion were sold on the markets of the industrially developed countries on the basis of the licenses bought here.<sup>2</sup> If we assume that the licensees of both groups of countries sold 50 percent of the licensed production on the domestic markets, then the export of this production on the market of the industrially developed capitalist countries comprised \$174.072 billion. Considering the export of licensed production from the developing countries under the licenses purchased in the industrially developed capitalist countries, it has reached \$223.032 billion, which comprises 30.2 percent of all export. Objectively this percentage is undoubtedly higher, since products are manufactured under licenses which correspond to the latest achievements of world science and technology, while many of the goods sold on the world market do not attain this level.

It becomes obvious that one in every three products exported to the markets of the industrially developed capitalist countries relates to the latest production and is manufactured according to international license deals. In this case, based on the same scientific-technical achievements (inventions and (or) know-how), identical products are manufactured and exported both by the licensee and by the licensor. Usually the licensors will sell a license only when the export of the product to one country or another is not economically expedient, as for example due to high tariffs or significant transport costs. This is explained by the fact that when the licensor exports a product, he receives all the profit from the commodity unit. However, when he sells the license he is forced to share this profit with the licensee. Therefore, as a rule, licensors retain a large market for themselves, and

consequently supply more products for export than do the licensees. However, even if we assume that they will share the market equally, the export of licensed and analogous products to the markets of industrially developed capitalist countries will double and will reach \$446.064 billion, which comprises 60.4 percent of all export. This means that half of the goods in machine technology production sold on the markets of the developed countries are manufactured under the licenses of these countries (and this does not take into account the export of products manufactured under licenses purchased by these countries in other countries).

As we can see, the exchange of scientific-technical achievements between the industrially developed capitalist countries on the basis of licenses has taken on a global character. Trade in licenses significantly affects not only the level and quality of new engineering and technology in the countries of the world, but also the rates of scientific-technical progress in them, as well as numerous foreign trade operations. In other words, international trade in licenses has to a significant degree begun to predetermine the foreign trade of countries in machine-technical production which by its level and quality corresponds to the latest achievements of world science and technology.

In selecting the variant for obtaining technology from among a number of alternatives, we must always consider the possibility of its reproduction within the time limits before its obsolescence, as well as the possibility of creating improved later generations based on it. The latest technology may be obtained by means of a domestic as well as a foreign source.

The only domestic source is the production of new technology on the basis of our own NIOKR [scientific-technical and experimental-design work]. International practice demonstrates that it brings success if in the given sphere of science and technology the country surpasses others, or if the NIOKR is at least on the level of achievements which have been industrially assimilated in other countries. If, however, it lags behind, then the need for the latest technology is usually satisfied by means of outside sources, to which we may primarily attribute the following:

- the construction of "turnkey" facilities;
- the import of full complement equipment;
- the rental of products with their subsequent purchase or without (leasing);
- the purchase of licenses on inventions and (or) know-how;
- the purchase of samples of new technology for subsequent copying and reproduction, whenever possible (as a rule, this requires a full complex of NIOKR and usually does not yield positive results).

Practical experience shows that only licenses ensure a leading position in the basic directions of scientific-technical progress. The fact is that only by licenses is know-how transmitted, without which the reproduction of the latest technology is practically impossible. All other forms of foreign trade make it possible to exploit the imported technology temporarily, within the limits of its obsolescence time. That means that the lagging behind in the level and quality of applied technology is eliminated only temporarily. With today's progressive reduction in the service life before obsolescence, and with the increased complexity and cost of new technology, its reproduction without possessing know-how has become impossible. While quite recently it was possible to reproduce it from samples, today, even if this is achieved in individual cases, it is either on the boundary of the obsolescence time or beyond it.

Under traditional export-import deals, the seller does not limit the buyer's rights to manage the purchased goods. He may destroy the goods, re-sell them to a third party in his own country, or export them to other countries (prohibition of re-export is in practice very rare), etc. The licensee, however, having purchased the license, is strictly limited by its territorial conditions. He is allowed to sell the product manufactured under the license agreement only in specific countries as specified in the agreement. And this is no accident. The licensor as well as the licensee are striving not to allow competition between them, or to reduce it to a minimum.

However, the importance of territorial limitations is not limited to this. With the help of these limitations, transnational corporations and large monopolies, being the main suppliers of the latest technology to the international market, perform a division of sales markets and spheres of influence. If we consider the fact that within the framework of the developed capitalist countries, every second-third product of machine-technology production is exported under license agreements, then it becomes clear that the world market has long been divided up between the largest monopolies, and entry into it by competitors is difficult, if not entirely impossible. This division has been performed primarily in regard to the latest engineering, technology and new materials, and is secondary in nature. The licensor implements initial capture [of the market] independently by means of obtaining patents on scientific-technical achievements used in the licensed production. Then, through secondary division and re-delineation of the sales markets and spheres of influence, the licensors and licensees exclude competition between themselves and form a unified front against third parties.

As we can see, international trade in licenses is often the basis for reproduction of the latest technology, defining the level and quality of the developed and applied new engineering and technology based on these licenses, and thus the rate of scientific-technical progress. Trade in licenses largely predetermines the foreign economic and scientific-technical ties of the countries, as well as the division of spheres of influence and sales markets. Today



it is expedient to re-organize the patent subdivisions of sectors of the national economy. They must become scientific and coordinating centers ensuring scientific-technical progress in the sectors. For this purpose, they must everywhere be equated to the basic subdivisions and staffed with highly trained specialists in the sphere of patent-license work and other foreign economic and scientific-technical ties. The patent subsections must be staffed with teams for predicting scientific and technical development, as well as marketing, market analysis, patent, license, technical-economic analysis teams, etc. Only under this condition can we expect a positive shift in our country's licensing policy.

The scientifically substantiated re-organization of the patent subdivisions is particularly current today, when associations, enterprises and organizations have been given the right to implement direct production and scientific-technical ties with enterprises and organizations of other CEMA member states, to "independently coordinate the conditions for transfer and receipt of documentation containing information on inventions and know-how, and to conclude the appropriate contracts (licensing agreements) in their own name directly or through foreign trade organizations (associations) of USSR ministries and departments which have been granted the right of implementing export-import operations."<sup>3</sup>

This same resolution grants similar rights to the head organizations in accordance with the Integrated Program for Scientific-Technical Progress of the CEMA Member States to the year 2000. They are responsible for:

- coordinating with the developers the possibilities of handing over inventions and know-how;
- performing timely legal protection of technology included in the scientific-technical documentation;
- seeing that the buyers honor the obligations not to hand over the scientific-technical results to third parties without coordinating this with the Soviet side;

—settling accounts with author-inventors and making deductions to the funds of corresponding organizations.

A similar order of transfer and receipt of documentation of inventions and know-how is extended also to the Soviet associations, enterprises and organizations participating in joint enterprises and international associations.

Thus, the circle of enterprises and organizations who have received the right of independent entry into the foreign market with inventions and know-how is constantly expanding. In connection with this, the first step in preventing the uncontrolled drain of our scientific-technical achievements, and especially know-how, has been the USSR Council of Ministers Resolution No 203 dated 7 March 1989 and entitled, "On Measures of State Regulation of Foreign Economic Activity". It provides for state licensing for transfer of domestic inventions and other results of scientific-technical activity. The right to grant export licenses in these cases is given only to the USSR State Committee on Science and Technology.

#### Footnotes

1. Computed according to: Ye. Lazarev, "International Exchange of Scientific-Technical Knowledge". VNESH-NYAYA TORGOVLYA, 1982, No 2, p 40.

2. Computed according to: MONTHLY BULLETIN OF STATISTICS, 1987, May- June, July; V. I. Zolotarev, "Statistical Materials on the Course in 'International Trade of the Capitalist Countries'", M. BABT, 1987/88 academic year, p. 5, 13, 15, 29.

3. USSR Council of Ministers Resolution No 846 dated 27 July 1987, "On the order of transfer and receipt of documentation containing inventions and know-how by Soviet associations, enterprises and organizations in the implementation of new international forms of cooperation with enterprises and organizations of other CEMA member states" (Mechanism of foreign economic activity. Collected documents. M., 1988).

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**American Communist Defends CPSU**

90U10414A Moscow SOVETSKAYA ROSSIYA  
in Russian 4 Mar 90 p 5

[Article by Michael Davidow: "Thoughts of an American Writer: 'With Friends Like These, Who Needs Enemies?'" ]

[**Text:**] *Workers' Thank You Recently SOVETSKAYA ROSSIYA published several articles by the American journalist Michael Davidow. I was especially pleased by one of them: "I Don't Wish You the Knout." Perhaps this article, understandable and well argued, is the best one written, defending the interests of workers against the "capitalization" of the USSR. We very much want to give Michael Davidow our workers' thank you. It would be good if he were to write more articles for Soviet newspapers. We believe him.*

*On behalf of my comrades, Ye. V. Vikin, worker-fitter Ryazn*

Permit me to speak frankly as an old friend of the Soviet Union. Today the CPSU is under fire and, more than that, some of its own ranks often threaten physical violence against communists. As an American, and a member of the CP USA for 55 years, I am well acquainted with such phenomena. But in the land of October?! It seems to me that the threat has reached such magnitude that everyone to whom the party is dear—its leaders, rank and file members and all its friends—should come to its defense.

The past and present of the party are painted in one color—black. Events have been so distorted as to show that the party has no future at all. It seems to me that this is the purpose of the attack. Every mistake and every case of negligence is used and considerably exaggerated with "additives" in the form of vicious rumours. Attempts to correct the mistakes are disparaged. Even the admission of mistakes—during the party's history many in it have openly and honestly criticized themselves—are used as a weapon against the party.

What are the methods of the attack?

**Apparatus**

From justifiable criticism (which, I repeat, was begun by the party itself) the attacks on the apparatus have been transformed into poorly veiled attempts to discredit the party. The truth is that no party, no organization or government can exist without an apparatus. Those groups who most loudly and persistently shout "Down with the party!" will themselves create an apparatus as soon as they take power. The purpose of any democratization is not to destroy the apparatus, but to introduce into it more competent people devoted to its goal, to remove self-seeking and corrupt people and to subordinate the apparatus to elected organs. However, each new step the party takes in this direction is met with new onslaughts.

**Monopoly**

The picture is painted as if in 1917 some malignant force (the party of Lenin) had seized power and oppressed all other parties in order to monopolize power. This is, of course, a distortion of history. If the Mensheviks and the Left Social Revolutionaries had decided to remain in the government of the recently born socialist republic, things would have developed according to a different scenario. However, instead of this they attempted to overthrow this government and actively helped its enemies. This was a tragedy for which the Bolsheviks and V. I. Lenin are hardly responsible. The single party system was the result of these events.

The negative consequences of all this are a subject for history. Nobody has pointed them out more honestly than the party itself, as shown by its 20th Congress, by perestroika and glasnost. What bourgeois party in any capitalist country has revealed its mistakes as much as has the CPSU? There everything is the reverse. In the United States, for example, monopoly capital's control of power is carefully disguised with the help of the two party system.

Even the CPSU's rejection of its legally guaranteed role as the ruling party (if Article 6 of the Constitution is abolished) is used as a weapon against it. The goal is to reduce the role of the great party of Lenin to that of an obedient novice (a discredited one at that) playing an insignificant role in the affairs of the state which it founded, built and defended.

**Corruption**

Nobody has conducted the struggle against corruption more energetically than the party, which itself is exposing the guilty, eliminating them from its ranks and punishing them. However, every effort is being exerted to represent the party as being completely corrupt and to push towards only one conclusion—disbanding it. There are now open calls for this.

Corruption is a destructive, parasitic traveling companion of power. Alas, it has not been avoided in socialist practice. In spite of its scale, and I am not inclined to minimize it, corruption in the USSR cannot be compared to that in the countries of monopoly capital, especially in the United States. It is sufficient to recall Watergate and Irangate and the financial scandals which involved practically every member of the Reagan cabinet. The struggle against corruption and bureaucracy should not stop. The most effective antidotes are perestroika and glasnost.

**Eastern Europe**

Attempts are made to represent the internal situation in the USSR as a repeat of the crises in Eastern Europe. However, the very different situation there still requires a full analysis. There is the positive process of democratization inspired by perestroika. There are also negative

processes, including attacks on communists, the activation of reactionary and fascist forces, and the replacement of democracy with the power of the crowd. Some people in the USSR are attempting to represent the CPSU as an obstacle on the way to democratization, one which must be destroyed as was done in Eastern Europe. There are also attempts to replace democracy with mob rule—organizing mass demonstrations, disorders and chaos to force the government to resign and to destroy the party. These are especially prominent in the Transcaucasus and in other regions where pogroms and quarrels between nationalities have been used by extremists and by antisocialist, antiparty and antiperestroika forces.

### **The Mass Media**

One cannot overestimate the importance of the role played by the mass media in the struggle for perestroika. However, it seems to me that journalists are insufficiently aware of the dangers in the negative processes I mentioned previously. It seems to me that the mass media, and especially television, permit themselves to be used by antisocialist, antiparty and antiperestroika forces. At times their reporting and commentary does not draw a clear enough line between democracy and mob rule. The latter can be disguised as democracy before an audience of many millions. I can assure you from my own experience that the monopoly controlled mass media in the United States, especially television, never give such free access to opponents of their social system as is now being done in the USSR. Under the sauce of glasnost the past and present of the Soviet Union are now shown on television in primarily dark tones, while other colors are used to describe the capitalist West. As a result, the conclusions made by many viewers are not in favor of socialism.

The serious economic situation in the country, discord between nationalities and pressure to break away from the USSR all abundantly fertilize the soil for demagogues and adventurers who are striving to divert any manifestation of discontent into a common stream directed against the party. Many sincere, honest people are attracted by these forces. This is helped by the mass media's portrayal of destructive views. One gets the impression that this campaign is well organized and coordinated.

Who will suffer from the break-up of the party? Not only the party itself, of course. The party is the creation of the Soviet people. In spite of all its shortcomings it is the most reliable tool at the service of the people. All elements binding together our huge, complex, multinational state—political, economic, ideological—are

almost simultaneously weakened during the essential process of perestroika. One can think about how fast it should be done and in what manner. But this is now reality. I am agreed that there is no turning back. This puts great responsibility upon the party. The party is the cement binding the Soviet Union together. It should be renewed and democratized in unison with perestroika. However, it should not be turned into kasha.

I am all for the full expression of differences in opinion—this is one of the great achievements of perestroika and glasnost. However, the power of any party is its ideological unity and unity of action. Yes, the principles of democratic centralism were distorted; accent should now be placed upon the first component—democracy. However, without centralism the party will be only an amorphous mass. In a critical time this amorphousness is the travelling companion of anarchy. The party rejects Article 6 of the Constitution, but not its vanguard role. Ideological unity and unity of action are all the more necessary now, when the party should compete with other forces in the struggle for the hearts and minds of the people. The eyes of the entire world, including the world communist movement, will be focused upon the fateful 28th CPSU Congress.

### **The Party Must be Defended**

The seriousness of the situation requires the resolute defense of the party. It seems to me that this should be done by the party itself—from its leaders to its rank and file members. I say this openly, because, after observing some speakers on television, I repeatedly think of the American saying: "With friends like these, who needs enemies?" However, the party needs support not only from its members. The defense of the CPSU is the defense of socialism and its gains and of perestroika. It is enough to look at the attacks being made upon communists in Czechoslovakia, the GDR and Romania by reactionary, neofascist and antisocialist forces using channels opened by democracy to understand that their goal is to destroy the gains of socialism and to restore capitalism.

It seems to me that the time has come for the party to openly talk with people about the great dangers that will be facing not only the CPSU, but also them. This was done in the appeal by the Central Committee: "To Working People of the Country." I think that the party should talk to people on television, radio, the press and at mass meetings it holds. It should explain the real situation and mobilize people to implement perestroika in the only way it can be done in the interests of the people: through that intense, honest labor and everyday courage that Lenin called the decisiveness to build socialism.



**Contraband Goods Sold In Greek Markets**

90UN0801A Moscow *RABOCHAYA TRIBUNA*  
in Russian 25 Jan 90 p 3

[Article: "Contraband 'Made In USSR'"]

[Text] Athens—On Sundays at the foot of the ancient Acropolis in the Monastiraki district of Athens there is a lively and noisy market. Dense crowds of shoppers fill the labyrinth of narrow streets to capacity where merchants display their colorful goods on improvised counters or more often than not simply on the ground. This is the report filed by TASS correspondent Vladimir Malyshev at the request of *RABOCHAYA TRIBUNA*.

They have everything here! You can buy anything here: from an American soldier's used uniform and an ancient Greek coin, green with age, to an ultramodern Japanese tape recorder and an Italian typewriter with an electronic memory.

However, this will only slightly surprise the casual visitor to the Athens flea market from the Soviet Union. He will be shocked by something else. In the furthest corner of the market between huge piles of garbage (garbage collectors are on strike now in Athens) and the thundering surface line of the metro he will discover some familiar but quickly forgotten items. Right there on the ground are huge stacks of linen sheets and Turkish towels with a "Made in USSR" label, dishes from our china factories, cans of caviar, "Zenit" cameras with powerful lenses, "Zarya" watches, tubes of "Cheburashka" tooth paste, bottles of "Sasha" men's cologne, "Buran" vacuum cleaners, electric teapots and much, much more of the type of goods which, unfortunately, we rarely see now on the shelves of Soviet stores.

Some of the merchants selling Soviet "deficit" goods speak only Russian but the majority speak fluent Greek as well. From our questioning it turns out that these are Pontic Greeks, former citizens of the USSR who came here to live. According to information in the local press there are approximately 400,000 Pontic Greeks living in the Soviet Union. Previously, they populated areas on the shores of the Black Sea (Pontus Euxinus in Greek). However, during Stalin's dictatorship they were forcibly relocated to other areas of the country. In recent years because of the relaxing of regulations governing travel abroad the stream of Pontic Greeks from the USSR has increased dramatically. With the increase in the numbers of arriving "Pontics" (the Greek authorities gladly give them citizenship), the number of "Russian" rows at the Monastiraki market has increased rapidly. The locals eagerly buy our goods; after all the prices for them are considerably lower than for analogous goods of western manufacture and the quality of some of them, as it turns out, is no worse. But where did these lively peddlers at the foot of the Acropolis get these goods in such quantities?

The duty policeman at the market just shrugs his shoulders indifferently. "We have freedom of trade here,

gentlemen! Everyone here sells what he wants to." The merchants are not inclined to reveal their secrets but some of them assure us that at the market they only sell their personal belongings which they brought with them in order to make ends meet. It is not a simple matter to get a job right away in Greece. A quick glance is enough, however, to realize that we are not talking at all about goods that were brought for "personal use." At the feet of the enterprising "Pontics" lie mountains of new linen sheets whose Soviet price tags have not even been removed. The price tags are on almost all of the other items and this is a sure sign that they were brought in specifically to sell.

So they transported them, but how did they get them across the border? Officials of the Soviet Consulate in Greece say that the export from the USSR of many types of consumer goods, especially those that are in short supply, is limited now.

"Do the 'Pontic Greeks' who leave the USSR take deficit goods with them for their subsequent sale in Greece?" This is the question I asked one of the stewards on the direct "Moscow-Athens" train.

"Of course they do," he answered without hesitation although he asked that I not use his name. "Just take a look!" and he pointed off to the side to the passengers who were busily unloading mountains of packages and suitcases from the Moscow train car. One of the passengers told me that there are people who constantly make "shuttle trips" from Athens to Moscow and back. Into the USSR they carry goods which are profitable for them to sell here: jeans, women's blouses, cosmetics, hose, etc. On the way back they take things that are profitable to sell in Athens: sheets, natural fabrics, fur hats, cameras, watches. In separate shipments they bring out and later sell large-sized items which are also profitable to market in Greece: grand pianos, smaller pianos and furniture.

They say that the largest dealers in musical instruments in Athens have begun to protest in regard to the competition which the "Pontics" give them with their pianos brought from the USSR disguised as "personal property." They also sell our things briskly in the port of Piraeus.

Therefore, there is every reason to suppose the existence of a large channel of deficit goods being exported illegally from our country as contraband. For the time being we are not talking about gold or antiques, which customs officials so avidly look for, but about what would seem to be the simplest kinds of things. But it is precisely these things which are in short supply on store shelves. After all, we cannot go to Piraeus or the Monastiraki market to buy them, can we?

In addition, other questions arise: what about caviar, crabs and cameras? One only has to take a closer look and it becomes clear that we are talking about the export and sale of these items in large shipments.

"There are no obstacles for me in taking goods out of the USSR," said one merchant complacently. So, perhaps the competent Soviet organs at least will explain why it is that Soviet products which are impossible to purchase in our own stores can be found in such abundance at a flea market in Athens?

#### FROM THE EDITORIAL STAFF

In search of an answer we turned to probably the most competent organization for this particular matter - the Main Directorate of State Customs Control. The conversation with the head of the press service, you could say, was somewhat discouraging:

"In general we don't give official comments over the telephone...but then, I wouldn't know what to say about that at all..."

Then we wondered how Deputy Chief of the Organizational-Inspection Department A. Feofanov would answer? However, Aleksandr Nikolayevich politely told us about the regulations dealing with the transportation of baggage belonging to individuals emigrating to live in another country, offered a number of ideas concerning the possible ways that contraband could be taken out of the country and thanked RABOCHAYA TRIBUNA for calling his attention to the matter.

Chief of the Directorate of Customs Control Organization N. Lyutov also answered us eagerly and without any reference to "military secrets". Since complete information regarding the Pontic Greeks was unavailable, Nikolay Alekseyevich suggested that he would be ready to meet with a correspondent from RABOCHAYA TRIBUNA for a detailed discussion in the very near future, as soon as he is able to completely clarify the situation. And not only about the market in Athens and the ways that Soviet deficit products turn up there but about many other topics as well.

#### Iceland's Hermannsson Voices Support for Naval Arms Cuts

90UI0366A Moscow ZA RUBEZHOM in Russian No 6,  
2-6 Feb 90 pp 2-3

[Interview with Iceland Prime Minister Steingrimur Hermannsson by Vladimir Verbenko, director of the Novosti Press Agency in Iceland: "'Our Accent on Disarmament on the Sea Is Enjoying Increasingly Greater Support'"]

[Text] The leadership of Iceland does not share the apprehensions of a number of its NATO allies in relation to reducing naval arms, and it is the first member of the alliance to demand with increasing insistence that this highly important problem be included in the present disarmament process. Iceland's prime minister expresses his point of view on this account in an interview for ZA RUBEZHOM.

[Verbenko] Three years ago M. S. Gorbachev introduced a new political phenomenon into international practice, proposing to President Reagan that they meet in Iceland's capital without a lot of annoying protocol to discuss the widest range of issues, including the principal one—disarmament in all spheres. As I now have the honor of interviewing one of the organizers of this historical meeting, I would like to hear your opinion concerning a sort of "Reykjavik-2"—the unofficial meeting between the leaders of the USSR and the USA by the coast of Malta.

[Hermannsson] The Malta meeting was very important. And here is what is interesting: Three years ago there were people who spoke in negative tones about the meeting in Reykjavik as well. Some were anxious about Malta—would any mistakes be made? From my point of view this is an extremely strange approach to history. Because it is obvious that the "snowball of trust" that came into being and began its fortunate road here in Reykjavik is gathering increasingly larger mass and speed as it swiftly moves forward.

It was in Reykjavik on Mikhail Gorbachev's initiative that the practice of informal summit talks was started. In that instance as well, there was no preapproved agenda or agreement concerning the signing of any sort of treaties. And yet everything was done to welcome an exchange of any ideas, which is probably no less important today. The desire of the sides to meet once again 3 years later without formalities in order to discuss and evaluate everything that has occurred seems supremely justified to me. And the changes that have occurred are so grandiose that there is no need to enumerate them—they are on everyone's lips.

Therefore I deliberately repeat that the meeting on Malta was extremely useful: The leaders of the two great powers meticulously examined political and economic development, including in Europe—our native continent. I have always asserted, and continue to assert, that trust is at the basis of everything, it is the strongest foundation. In this respect I think that the recent meeting between G. Bush and M. S. Gorbachev is noteworthy precisely because it continued, on a qualitatively new level, the process of growing trust begun in Reykjavik 3 years ago.

[Verbenko] On several occasions M. S. Gorbachev has emphasized the urgent need for negotiations and practical measures with the purpose of starting reductions of naval arms, including in Reykjavik, in Murmansk, in Vladivostok, in Yugoslavia and in Finland. During his meeting with U.S. President G. Bush on Malta, M. S. Gorbachev once again emphasized that the time had come to begin discussion on naval forces. As we know, the reaction of the American side was negative.

May I ask you, the prime minister of a country in the center of the North Atlantic, to comment on the present state of affairs in this regard?

[Hermannsson] Yes, of course. As everyone knows, Iceland depends wholly and completely on the sea. It

would not be an exaggeration in the least to say that our life depends on it literally. We are in the center of the North Atlantic, and this says everything from any point of view, including the military. It is precisely here that intensive growth of arms, especially nuclear, has been occurring in recent years. Considering this growing threat, back in May 1985 Iceland's Althing (parliament) adopted a resolution unanimously (which is extremely indicative) calling for nuclear disarmament in the territory of the entire region—from Greenland to the Urals—that is, in all of the North Atlantic as well. Therefore, being prime minister at that time, and minister of foreign affairs after that, and having served once again as prime minister for over a year now, I am fulfilling my duty—that of acting in behalf of this resolution's execution in every way possible at all levels, including the United Nations and NATO.

Thus in a recent meeting of the leaders of the NATO countries in Brussels I felt it necessary to express our disappointment with President G. Bush's negative reaction to M. Gorbachev's proposal on reducing naval arms. I feel that there are very substantial reasons for addressing it without delay. And it is incomprehensible to me why such reduction and establishment of a balance between the great powers at a certain level might appear dangerous to marine lines of communication. As a member of NATO, Iceland understands the need for ensuring the security of these lines of communication—this is just as natural as preserving the land routes between the USSR and Eastern European countries within the framework of the Warsaw Pact. But I am firmly certain that dependable security of marine lines of communication may be ensured in due fashion precisely under the conditions of a reduction in naval arms coupled with the strictest control over this process. That is what all of us need! We are deeply persuaded that without this, there cannot be real and complete disarmament.

We understand of course that the agreement that has been reached on medium and shorter-range missiles and the Soviet-American SNV [not further identified] treaty are influencing naval arms to a certain degree. But this is not enough: Reduction and subsequent elimination of sea-based cruise missiles and many types of tactical weapons used on the seas must be included in the overall process if we wish to protect mankind from nuclear destruction.

In this connection it is pleasant to see that a unique sort of active opposition is gradually forming, one that is fighting for disarmament on the seas and in the oceans, and for effective control over it. Of course other countries have not yet declared their support officially in NATO. But the positive trend established by a number of countries—for example Norway, Denmark, Canada,

Belgium and Turkey—in the aspect of increasingly more resolute support to the idea of including this highly important problem in the general disarmament process, is clearly discernible.

As far as Iceland is concerned, we will act increasingly more aggressively within the NATO framework, avoiding a position in which we spend too much time listening to others and having others making decisions for us. Luckily this situation has changed. I would like to emphasize that when we speak like this, we have no intention of violating our obligations as allies, and we are not "stabbing NATO in the back," as some suggest. On the contrary it is our duty to support, with all of our strength, universal disarmament between the great powers, between NATO and the Warsaw Pact, which is so vitally important to all.

[Verbenko] As you know, recently USSR Minister of Foreign Affairs E. A. Shevardnadze called Iceland's idea to conduct an international conference on disarmament issues in the North Atlantic an extremely attractive idea. This was Moscow's first reaction at such a high level. What do you have to say in this connection?

[Hermannsson] We in Iceland are examining the idea of conducting such a conference in relation to the entire complex of reduction of naval arms and control over them. We have not yet resolved everything, but this issue is in the center of our attention, since from our point of view it is more than urgent.

[Verbenko] What kind of step (or steps) and from what side (or sides) do you feel would be the most useful and necessary for a real breakthrough in disarmament?

[Hermannsson] From my point of view there are several important steps that are realistically possible in the immediate future. Thus we hope very much that the SNV treaty will be signed at the next Soviet-American meeting in Washington. In the general context of an all-embracing process of disarmament, it would be very useful to draft a convention prohibiting chemical weapons. We are also waiting for drafting of a treaty reducing conventional arms to be completed in Vienna.

There can be no doubt that our focus on disarmament at sea is also enjoying increasingly greater support. Primarily of course from the Soviet Union. As I mentioned earlier, positive shifts have also occurred in the NATO framework, in which we are constantly dealing with this issue—such is one other direction of our efforts. I am certain that this vitally important problem will be raised anew during the Washington meeting between President G. Bush and M. Gorbachev. And I believe very strongly that the sides will reach agreement on the need for placing it on the agenda of the disarmament talks.



## Adamec on Political Developments, Future of CPCz

90UI0376A Moscow PROBLEMY MIRA 1  
SOTSIALIZMA in Russian No 2, Feb 90 pp 31-32

[Interview with Czechoslovak Communist Party Chairman Ladislav Adamec: "Winning the Support of the Citizens"]

[Text] [PROBLEMY MIRA] First of all in behalf of the journal, which is published with the participation of over 70 communist, workers' and revolutionary-democratic parties and organized public political movements, let me congratulate you on your election to the post of chairman of the Czechoslovak Communist Party (CPCz). Members of our international collective present here in Prague, whose hearts bleed for what is happening in the country and the party, can see the sort of difficult situation you have found yourself in today. With what feeling are you personally, Comrade Adamec, accepting the obligations of party leadership?

[Adamec] With a feeling of enormous personal responsibility. I am aware of how difficult it will be to resurrect the party on a new ideological, political and organizational basis, to regain the trust of the people, to rid the party of Stalinist methods and the ballast of dogmatism and conservatism, and to transform it into a modern left-wing political force capable of assuring for itself the support of the citizens in a democratic pluralistic system.

[PROBLEMY MIRA] The entire world has been following the tumultuous events in Czechoslovakia in recent weeks. You have been in the thick of events during all of this time. What is your personal assessment of the things that have happened in the past month?

[Adamec] In this complex, critical period, the people's deep disappointment with the bureaucratic authoritarian system manifested itself, and at the same time their will for democratic changes made itself known. Rather than carrying out real perestroika of society, the former leadership only talked about it. The people lost faith in the party's ability and will to make the necessary changes. They turned their support and sympathies over to citizens' initiatives. The CPCz must make the necessary conclusions from all of this, and become an active force in the development of democratic socialism.

[PROBLEMY MIRA] Looking at what is happening in practically all socialist countries, the question that arises again is this: What are they experiencing—a general international crisis, or is each socialist country experiencing its own specific crisis?

[Adamec] Life has taught us a severe lesson as to what might be the result of underestimating unique national features and mechanically transferring ideological systems and stereotypes. It also confirmed that there exist objective, universal trends in the development of modern society which the socialist countries cannot ignore with impunity. In other words the present crisis is a general crisis of the Stalinist conception of socialism.

At the same time this is a process of renewal of socialism and its rebirth in a truly democratic, humanitarian spirit. Efforts directed at retarding necessary changes in society, and all the more so the attempts to use the implements of power to preserve an obsolete model of socialism, harbor negative consequences. This is also confirmed by the tragic events in Romania, which Czechoslovak society and the extraordinary CPCz congress decisively condemned. The process of socialist development naturally has unique characteristics in each country, ones reflecting its historical and national traditions and specific features. All of this of course pertains completely to Czechoslovakia as well.

[PROBLEMY MIRA] The events in Czechoslovakia in 1968 became the cause of a deep crisis within the international communist movement. How do you, Comrade Adamec, assess the events of 1968 and the current processes in the party and society from the standpoint of their influence on the international communist movement?

[Adamec] The invasion by troops of the armies of five Warsaw Pact countries into Czechoslovakia in August 1968 was condemned by the new leadership of the CPCz and by fraternal parties as a gross violation of international rules of relations between socialist countries. As we know, this act had negative political, moral and ideological consequences not only for Czechoslovakia but also for other socialist countries, in which neo-Stalinism entrenched itself for a long time under pressure from the Brezhnev leadership. In precisely the same way, the events of those days generated deep conflicts in the entire international communist and workers' movement—conflicts which became a heavy burden upon the process of the movement's political and intellectual development. Principled condemnation of the invasion by the troops broke down the barrier which stood in the path of development of creative Marxist-Leninist doctrine, and thus opened up a possibility for a vigorous reaction to the new requirements which current revolutionary changes in the world are posing before it.

[PROBLEMY MIRA] What do you see as the party's future? Does it have the strength and the reserves in order to regain the trust of the people, and for the country, a socialist future?

[Adamec] The ideas of socialism have deep roots in the historical traditions and in the experience and interests of the Czechoslovak people. The need for existence of a left-wing political party is founded in the very nature of modern society, and in the nature of the objectives it is pursuing. Therefore I believe that the CPCz, which is relying in its new policies on the traditions of the Czechoslovak path to socialism, and on the sources of the ideas that came into being in January 1968, will receive the support of the Czechoslovak people.

**Solutions to Polish Economic Crisis Viewed***90UI0323A Moscow EKONOMIKA I ZHIZN  
in Russian No 4, Jan 90 p 3*

[Interview with Polish political leaders Tadeusz Mazowiecki, Mieczyslaw Rakowski and Alfred Medowicz conducted by V. Runo: "Poland: Where is the Way Out of the Crisis?"]

[Text] Prominent Polish political leaders answer questions posed by the weekly publication EKONOMIKA I ZHIZN.

It is difficult to find in Poland men who are more distinguished in their opinions and views on the development of the Polish economy than PPR Council of Ministers Chairman Tadeusz Mazowiecki and PZPR Central Committee First Secretary Mieczyslaw Rakowski. All-Polish Trade Union Alliance Chairman Alfred Medowicz also has his own position in this sphere. Each of them is backed by a specific force, each has his own program of action and is ready to successively implement it. On certain points their positions converge, but for the most part there are deep divergences. They have never yet met. However, we were able to bring them together within the framework of this newspaper column by asking them the same question: "How do you evaluate the current economic position in the country and the possibilities of emerging from the long drawn-out crisis?"

[TADEUSZ MAZOWIECKI] As for the results of work by the government, they are still not very noticeable. However, extensive work has already been done on renewing an entire set of legal standards which in fact have transformed the sphere of economic relations. A step has been made without which further movement along the path of reform would be impossible. These measures are being implemented under conditions of huge inflation. To its credit, the government may say first of all that practically all the implemented measures have been accepted by society, although most of them are having a negative effect on the living standard of the Polish people. The economic situation remains difficult as before, impatience is growing, and everyone is awaiting positive results. However, we said from the very beginning that we would not be able to quickly correct the situation, and that we would need time for this.

A large part of the population understands very well those difficulties with which the government is faced, and therefore gives it the credit of trust. This is evidenced even by the fact that the miners responded to my appeal to increase the amount of mined coal by going to work on Saturdays. In such a difficult situation they have shown the civil responsibility which is so greatly needed today.

The government has been faced with an entire set of problems which did not exist before in the Polish economy. However, at the same time we must continue that which was begun by our predecessors. Therefore,

even though I said in my program speech before the Sejm that I would like to separate myself with a thick line from the past, it is impossible to do so in full measure. We constantly feel ourselves to be the heirs of past mistakes. The former government, for example, began the transition of the economy toward market orientation with the food complex. Here we took upon ourselves many unsolved problems, since the operation was conducted without proper preparation. Nevertheless we must admit that this was a necessary step in the matter of normalizing the economy.

An important element in the activity of the government is the fact that it bases its work not on a party or ideological principle, but on specialists selected according to professional principle. I would particularly like to emphasize that I represent only the state interests and have no affiliation with any of the parties or any other organization. This is specifically the principle difference between me and my predecessors. We feel it is extremely important for all of our allies, and especially the Soviet Union, to clearly understand this. I do not deny that contacts of a different sort are also important, but state contacts are of key importance, particularly when we speak of economic relations.

We respect and will strictly adhere to all previously signed agreements. This is not a situational accounting on our part, since we clearly understand the great significance which Polish-Soviet relations, specifically, have for Poland.

We want to build relations primarily on the basis of mutual understanding and broad public support. This is very important.

The efforts which we are making in stepping up cooperation with the West in no way reduce our interest in economic contacts with the USSR, without which our economy cannot function normally. However, we must shift our cooperation over to more current directions. Polish specialists are working in this direction. Today cooperation only at the level of state organs can no longer satisfy both sides. It must be intensively developed between enterprises, small companies, and even individuals. And finally, there is the problem of mutual accounting. We believe that in the future we must change over to freely convertible currency. However, it is impossible to do this immediately. Such a serious step must have thorough preparation.

The Polish people must emerge from the crisis through their own efforts, and no one can replace them in this matter. However, in order for this process to proceed at a sufficiently rapid rate, there are several necessary elements which it is difficult to do without. One of them is foreign aid. Without it, it will be difficult to rid ourselves of inflation. In this connection, with the help of international finance organizations, the so-called stabilization fund is created, which will help to introduce

domestic convertibility of the Polish zloty. This will enable us to take a big step toward stabilization of the national currency.

[MIECZYSLAW RAKOWSKI] Not enough time has passed to allow us to give the government evaluations of the work it has done based on the achieved results. However, certain tendencies have already emerged. We cannot help but note that in recent months there has been a serious decline in the production of industrial goods.

We can already say most definitely that the individual sector is beginning to develop at the expense of a reduction in the general living standard of society. This is occurring in connection with the fact that today's prices are growing at a much faster rate than wages.

The market which is formed under such rates of production decline will function according to the "laws of the jungle". This means that its stabilization will occur not as a result of an abundance of the goods provided, but as a result of limiting consumption to a minimum. Under these conditions, only a small group of the population will retain its buying capacity in the face of such high prices. The producers who create such a "free" market of extremely expensive and low quality goods should go bankrupt, but the huge rate of inflation creates a strong protective barrier for them.

The new government, while on the whole continuing to go in the same direction as the one which I headed up, is setting entirely different end goals. From the statements of certain ministers it follows that they would like to create capitalism in Poland. As far as I understand, nothing of the sort was discussed during the "round-table" talks, and specifically the fact that "Solidarnosc" intends to transform the percentage ratio of the public and private sectors (80 to 20) to the inverse proportion.

While today the proponents of general privatization are concerned by the fact that it will be difficult to buy out the enterprises built in the post-war period, for this we must thank primarily the builders of people's Poland, the millions and millions of workers, engineers and technicians who over a span of more than four decades created a huge property, for which it is not so easy to find a buyer. This is specifically why the thesis that the 45 years of existence of the PPR have passed for naught is erroneous. To say this is to insult several generations of Poles.

In order for an electrician to be able to jump the fence of the shipyards (we are speaking of the chairman of the "Solidarnosc" trade union, L. Walensa), as a minimum it was necessary to build it, to supply the country with electrical power, and to give millions of people the opportunity to move from squalid villages to modern rural settlements and cities. Most of those who speak of the lost years insult first of all themselves, their fathers and grandfathers.

We too were proponents of radical changes, but proceeded from the principle that the rates of transformation must correspond with the level of social consciousness. I personally, being a proponent of principle restructuring of the economic mechanism, always spoke out in favor of moderate rates of transformation. The current government, however, is introducing radical changes at too fast a pace. This has already had a negative effect on the economic position of the workers. Today it is impossible to answer the question of whether society will withstand such a blow. I, in any case, speak out as before in favor of a course of moderation.

The government which I headed up proceeded from the principle that the changeover of the economy to market orientation must occur in such a way so as not to allow shocking price leaps. The subsidies for basic types of food products must be reduced gradually. At that time no one planned to hand out free soup to the hungry or to collect donations for the poor. Moreover, the government remained true to the principle which began in the early 80's. Any legal statute which was of any importance at all was presented for public discussion. This means that anyone who wanted to could express his opinions, doubts or concerns regarding those problems which related to the interests of most of society. I cannot even imagine that at that time, with one stroke of the pen, the government could disband the central leadership organs of self-governing cooperatives, which had great importance for this organization. Yet this is specifically what Prime Minister Mazowiecki did.

Despite all we have said, I, like most Poles, live in the hope that the government will be able to overcome the difficulties and achieve positive results. However, if we speak on the basis of facts, and not hopes and suppositions, then we may say that the prospects for improvement in the economy for now seem rather dismal.

[ALFRED MEDOWIECZ] The mechanism of the Polish economy which Prime Minister T. Mazowiecki built may be compared with a beautiful airplane which stands on the runway and, while having wonderful parameters, cannot take off for the sky.

The VSPS [All-Union Alliance of Trade Unions] expresses very serious doubts as to whether or not we will be able to fulfill all that has been outlined. The instruments by means of which the program will be implemented are still not entirely clear. These same shortcomings were characteristic also of the previous government which was headed up by M. Rakowski. Frankly speaking, we must openly admit that the current reform has been brought to Polish soil from outside by experts at international currency-finance organizations, and primarily the International Currency Fund.

The plan of Poland's Deputy Prime Minister Balcerowicz presupposes the auctioning off of public property in order to survive. Society is not ready for such a measure.



The new government is making an economic turnaround based on a rejection of all that the communists have done. As the basis of its policies it has taken the thesis that the group which has come to power is doing everything right, since it has a majority of non-communists. However, the trust based on such a tenuous foundation may be held only up until such time when the people are convinced that the government will act in their interests.

The economic position of most of the workers is steadily deteriorating. According to the computations of our specialists, after the January rise in prices, over 40 percent of the population was living in poverty, while 20 percent was destitute. This includes over 60 percent of the pensioners and invalids. For the first time in the post-war history of the country, beggars have appeared on the city streets.

The greatest contradiction between the VSPS and the government is that Mazowiecki considers the main shortcoming of the economy to be the budget deficit and inflation, and classes the production level in third place in terms of its importance. The trade unions, however, are most afraid of the latter. The position of the workers will not improve at all if the store shelves are filled with goods, but the ordinary citizen cannot buy them.

"Solidarnost" allowed a great error in its time by agreeing to indexing of prices and income. The introduction of this system has become a hindrance to increasing labor productivity. It could be accepted only in the budgetary sphere, but not in the sphere of production. "Solidarnost" agreed to these measures without knowing that it would itself come to power and be forced to implement them. It is extremely important to see that the compensation for growth of prices comprises 20 or more percent of the cost of production, and not 10 as is the case today. The free market and the system of uncontrolled prices should not be accompanied by wage limitations. Each person must earn as much as the company is able to pay him.

The government plans the decline in the living standard of the population within the limits of 20 percent, but the VSPS believes that it will decline by at least 40 percent. Society will not tolerate such a decline.

The trade unions do not intend to organize any protest actions or demonstrations in connection with this. Any strikes at the present time will lead to a national collapse. However, on the other hand, the VSPS does not believe that it has the right to turn to the workers with an appeal to reject protests and not exercise their legal right to strike. If led to the extreme, the people may themselves take to the streets.

If the government overcomes this difficult period with the aid of those methods which are being used at the present time, then the result will be a serious deformation in the consciousness of the citizens. An entirely different society of morally weak people, devoid of will and without initiative, may be formed. I hope this does

not happen. If we add to this the problems of international order which await the country after the unification of the two Germanies, then there is even less optimism.

Every program is good at the planning stages, when it is about to take off, like that airplane which Mazowiecki built in hopes that it would fly. But only when it rises up into the air will the trade unions say that this is an aircraft, and not an exhibit.

The workers' trust in the trade unions is growing. Mazowiecki's program facilitates this, since it is pursuing an extortionist policy in regard to the workers. No government will win at such a game.

#### **SFRY: Currency Exchange Rules Affect Soviet Tourists**

90UI0394A Moscow TRUD in Russian 22 Feb 90 p 5

[Article by TRUD correspondent A. Poroshin, Belgrade, under rubric "Letter from Yugoslavia": "When the Tourist Cries..."]

[Text] It isn't often that a journalist is invited to visit a consul general. The reason for our recent meeting was to explain the new SFRY rules that pertain to tourist exchange between our two countries. In the course of the meeting I learned the sad story of two Soviet tourists who were the first to suffer from the new rules. On an invitation from friends, the two ladies had come to sunny Yugoslavia from faraway cold Norilsk. The northerners' rosy dreams that were linked with the foreign south were soon dispelled. First they were perplexed: the Yugoslavian bank had issued the women a miserly sum from the 2000 rubles that they had left at the Vneshekonombank. The perplexity was replaced by panic after someone robbed them and the women were left without funds or documents.

Finding themselves in a helpless situation, they went to one of the markets in Belgrade in order to sell a few of their personal articles. But, as the expression goes, if things go wrong... They were detained by the militia, all their property was confiscated, including their fur hats, which the women had not had any intention of selling. Their assurances that the weather in Norilsk is cold were in vain. They never did get their hats back.

After the Soviet consulate intervened, the women were released. Although they could have been kept under arrest for 15 days. That is the measure of punishment that is stipulated by the local laws pertaining to trading by foreigners in the country that they are visiting.

The Belgrad militia, as was explained at the consulate, had acted in conformity with the new rules. To put it honestly, they intimidate people by their cruelty with respect to tourists visiting from the socialist countries.

But before revealing the essence of these rules, it is necessary to return to the prehistory.

Beginning last year, after the simplification of the procedure for preparing exit documents, Yugoslavia was hit by a flood of Soviet citizens. The Subotica border point was barely able to handle all those who wanted to enter from the USSR, Poland, and other socialist countries. Within only a few days the small town of the same name was turned into a lively international flea market. People could buy and sell everything there—foreign currency, used cars, needles, computers. Soviet tourists brought into Subotica things that you cannot find today on the shelves of stores back home: caviar, sausage, cheese, bed linens, radio receivers, sets of dinnerware. All of this was sold at half-price, and the Yugoslavs were very pleased. So were the tourists.

With the beginning of the new year the Yugoslav government introduced a convertible dinar, putting it on a par with the West German mark. Simultaneously new rules went into effect for exchanging checks received at Vneshekonombank for Yugoslavian dinars. On a unilateral basis, the Yugoslavian side dropped the value of the clearing-account dollar, which is used for reciprocal settlements between two countries. Soviet tourists began getting only 40 percent of the amount indicated on the checks.

But that did not stop the tourists. The flood continued unabated. It absorbed both the real tourists who genuinely wanted to become acquainted with Yugoslavia, and those who had entered the country for purposes of buying and selling. I think that the number of the latter was considerably greater. It is because of them that the illegal trade was continuing to flourish.

At first the Yugoslavs took a rather condescending attitude toward this. However, reports soon began appearing in the press, stating that the "East European tourists are turning our markets into real dumps," and that the visiting merchants were selling inferior products, and taking back home with them, in exchange, solid currency that they had acquired from Yugoslavs at a good interest rate.

Whether or not that is so, recently the SFRY government adopted a new and stricter law that affects the interests of everyone visiting SFRY from the East European countries. According to this law, in exchange for Vneshekonombank checks that were purchased by a person leaving the USSR, Yugoslavia pays only 10 percent of the indicated sum. In exchange for the 2000 rubles spent to purchase the checks, the tourist will receive only 390 dinars, which are not even enough to buy ordinary "krossovki."

The Yugoslav customs services, in accordance with the instructions, have tightened their monitoring of the importing and exporting of foreign currency, commodities, and food products. The militia agencies have been given broad powers, up to and including the confiscation of the articles being sold by the tourists.

While we were having our discussion with the consul general and with Intourist and Sputnik representatives

the new steps taken by the SFRY government, the women from Norilsk were sitting in a neighboring room, crying. They were crying because they had become the unwilling victims of a new law that they had not even heard of when they left the USSR to come to Yugoslavia. And apparently they are not alone in their misfortune. Intourist representative Yu. V. Dudnikov told a no less sad story. A group of tourists arriving in Sarajevo included a family that had paid approximately 7000 rubles for the trip to Yugoslavia. The family members had naively counted on buying here, in exchange for the dinars they received, things that were unobtainable in the Soviet Union. But all their hopes were dashed when the Yugoslavian bank, in exchange for the checks that were handed over, gave them literally a handful of coins, upon seeing which the tourists had been unable to hold back their tears.

Unfortunately, the Soviet Union is a debtor to Yugoslavia. As a result of last year's inundation of invited guests, our foreign debt increased by an additional \$120 million. In order to impede the further increase in the debt, the Yugoslavian national bank, as of 1 January, established a new procedure for reciprocal settlements with the USSR. Now the export proceeds of Yugoslavian companies in dinars is made directly dependent upon the shipment of commodities from the Soviet Union. These rules also extend to the country's tourist organizations that cooperate with the Soviet Union, and this, naturally, limited their financial opportunities.

What has actually occurred, then, is that tourism has become dependent upon commodity shipments from the USSR to Yugoslavia. Is that fair? It would not seem to be. We are, obviously, dealing with attempts either to discontinue the tourist exchange between the two countries, or to make people pay for it in hard currency.

As I see it, the former assumption is more reasonable. In the area of tourism, Yugoslavia long ago placed its hopes on Western Europe. At first, and until the end of each tourist season, there is a stubborn struggle for the dollar, the mark, the pound sterling. Tourists with clearing-account dollars were more of a hindrance than an acquisition. They occupied rooms in hotels and occupied spaces on the beaches, and they increased our state debt, which, it has been officially recognized here, is one of the generators of inflation.

Well, then, what are Soviet tourists supposed to do? Obviously, it doesn't make any sense to cry about their fate. But we do not have the right to subject our people to outright thievery. On the one hand, by Vneshekonombank, and, on the other, by the Yugoslavian banks. Whoever a person may be—whether he is simply a tourist or a vendor-tourist, the state is required to protect him if it has authorized his departure to another country.

But how? This question cannot be resolved within the walls of the consular or tourist representation. If Yugoslavia is forcing us to make settlements in hard currency,

then, apparently, it is necessary to respond to its challenge. Perhaps also to change over to solid currency in settlements for shipments of petroleum and gas to Yugoslavia. In addition, Intourist also knows rather well how to earn currency. Under conditions of self-financing and economic independence, it certainly can dispose of its proceeds at its own discretion.

I would like to mention one more thing. Yugoslavia, like the Soviet Union, has signed the Concluding Act of the Conference on Security and Cooperation in Europe, which states the firm support given to the development of tourism on an individual and collective basis. Special mention is made of youth tourism, for which, the document points out, the appropriate benefits are necessary.

Those principles were supported and developed in the Long-Term Program for the Development of Economic Cooperation Between USSR and SFRY, which was signed by the two countries in the course of an official visit of friendship to Yugoslavia by M. S. Gorbachev in March 1988.

The introduction of a special rate of exchange for changing into dinars the USSR Vneshekonombank payment documents in clearing-account dollars contradicts these understandings and, without a doubt, will lead to a reduction in the organized and unorganized tourism from the USSR to Yugoslavia. The future will show whether this corresponds to the interests of the Yugoslav nation.

#### **Yugoslav Experience with Economic Decentralization, 'Autarky' Studied**

904A0222A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 9, Feb 90 p 21

[Article by L. Tyagunenko, senior scientific associate at the USSR Academy of Sciences Economic Institute of the World Socialist System: "Yugoslavia: New Economic Model"]

[Text] Today, as our nation is undergoing the process of renewal within the federation and radical economic reform is unfolding, the experience of Yugoslavia may be highly interesting and instructive. A multinational state like the USSR, Yugoslavia is changing the course of its economic policy. In the opinion of the majority of Yugoslav economists, a transition from a decentralized economy to a strengthened single union market is needed. What has brought this on and how will it take place? The article below will tell us.

In 1974 a new constitution was adopted in Yugoslavia which in essence represented a radical reform of the federation. The constitution pronounced the SFRYu [Socialist Federative Republic of Yugoslavia] a union government. Also, the republics received the status of states, and some of the federation's functions went to them. The republics were fully responsible for their own economic, social and cultural development. The use of land, minerals, forests, water, and other national

resources were placed under their jurisdiction. Relations within the framework of a single Yugoslav market were regulated from the center by means of agreements and contracts between republic and kray Skupshtinas [Yugoslav parliaments]. Under discussion are a single monetary system, issuing currency into circulation, hard currency and the extra-market system, tariff policies, credit, and other foreign economic relations at the federative level.

Jurisdiction of a general character, without which the existence of a federative state would be unthinkable, also remains with union bodies. This includes national defense, the protection of state security, and political and economic relations with other governments.

All allocated materials and enterprises located within their territory were handed over to the republics' jurisdiction without indemnity. No enterprise in Yugoslavia remained under union jurisdiction.

A credit fund was created at the federative level for underdeveloped republics.

At first the transfer of rights, means, and funds to the republics created a well-known effect: it led to a weakening of antagonisms among them. However, as early as the beginning of the 1980's, it became clear that the new kind of federation not only failed to guarantee the needed unity in Yugoslavia, it even facilitated the growth of centrifugal tendencies and the intensification of society's fragmentation. Finding themselves almost fully self-sufficient and materially independent of the center, the republics and krays began being guided by their parochial interests, ignoring all-Slavic problems, on the one hand, and the interests of enterprises on the other. Central bureaucratism was replaced with local bureaucratism.

The process of weakening economic ties among republics and autonomous krays as well as the division of a single market into regional sectors became evident. And from year to year the share of goods exchanged between republics has been decreasing. According to estimates by Yugoslav economists, approximately two thirds of goods produced in republics and krays do not leave their respective borders, and only 1/4 of the mass of commodities produced is mutually traded. Tendencies towards autarky are manifest even in investment policies. Inter-republic capital investment amounts to only 0.3 percent of the general estimated cost of installations being built at the present time.

The republics often devote more attention to cooperation with foreign partners than to developing ties among themselves. As the Yugoslav press observes, recently cases have become more frequent in which enterprises from individual republics sell their goods abroad while other republics, experiencing an acute demand for those very goods, buy them on the world market. Every republic and kray is trying to produce all of the agricultural goods needed to satisfy its needs at home. As a result, some republics are exporting grain while others



are importing it. Under conditions of shortages in hard currency, many currency transactions among republics and individual enterprises are starting to be made in hard currency.

The usual things accompanying autarky have appeared in Yugoslavia: production of goods in small series at a high cost, low efficiency of capital investments and quality of production, limited opportunities for using advanced technology, etc. The concentration of all economic controls at the republic level where there is a weak centralized directorate, along with the transfer of all important questions from the center to the republics, has, in essence, led to the creation of not one, but eight economies and eight export programs. There where technological integrity should be—in the power, transport, banking, and tax systems—there is no unity.

The absence of a monopoly in foreign trade and the practice of allowing republics and krays the right to receive foreign loans and independently conclude contracts with foreign partners led to a growth in the balance of payments deficit and foreign debt as early as the end of the 1970's. At the present time the nation's foreign debt comes to around 16.6 billion dollars. The question of placing responsibility for the state of the balance of payments with republics and autonomous krays is a continual source of conflict among them.

A single price-formation system has also been absent in Yugoslavia. Federal bodies have placed controls on the prices of only the most essential goods: electricity, coal, production from ferrous and non-ferrous metallurgy, oil and petroleum products, pharmaceutical goods, tariffs on railroad transportation and postal and telegraph services. A very large share of prices lay under the control of republics, krays and communities. Practice has shown that this has led to galloping inflation. Within the last year, for example, prices in Yugoslavia rose more than 25 times. Moreover, prices of goods and services under the jurisdiction of communities rose particularly fast. This is how the latter attempted to solve deficit problems in republic and community budgets.

Neither did the system of public contracts and agreements, with the help of which interrepublic relations should, according to the constitution, be regulated, prove itself. As a rule, compromises were reached which in many cases did not represent the optimal decisions for the economies of the nation and individual republics and krays. The procedure for concluding interrepublic agreements is complicated, unwieldy, and lengthy. But even concluded agreements were not binding. Consensus (unanimity) is one of the methods which has aided in resolving many important issues involving the federation as a whole. The present mechanism for making important economic decisions is to a large extent paralyzed precisely because of the frequent misuse of this method.

Today it has become completely obvious that this model of the Yugoslav economy has not proven itself. In 1988,

amendments to the SFRYu Constitution were adopted which affected nearly one third of the articles. The forthcoming changes are directed at increasing the federation's responsibility for securing all-government interests by means of expanding the functions of federal bodies. Thus, provisions are made to limit the sphere of republic and kray consensus in the SFRYu Skupshtina and to increase the rights of the union government with respect to the republics. The principle of a consensus has been revoked by executive bodies: now the union government can independently pass a decision to develop the laws in force. The authority of the Union Court has been expanded: it has been given the right to directly control the implementation of federal laws by republic and kray authorities.

The amendments to the nation's Constitution which were adopted have as their primary goal the simplification of a single internal market in Yugoslavia. A single financial-credit and hard currency system, a single taxation system, and a single system of economic relations abroad have been created to assure that it functions in compliance with standards. In order to ensure that monetary-credit policies are unified, from now on the People's Bank of Yugoslavia will be subordinate to the SFRYu Skupshtina alone.

The end of 1989 was marked in Yugoslavia by thunderous debates on the program proposed by the Chairman of the Union Executive Vech [assembly], Ante Markovich. The program was directed against hyperinflation, which is literally destroying the country's economy. A. Markovich introduced a proposal on the Yugoslav dinar: one new dinar will be the equivalent of 10 thousand old ones. Together with this, the dinar will become convertible and freely exchangeable with hard currency from other countries at the official rate. And the rate of the Yugoslav national hard currency, which will not be exchanged until July 30 of this year, is tied to the rate of the West German mark. In order to assure the convertibility of the dinar, the country's hard currency reserves may be used at a sum of 5.8 billion dollars, along with 5 billion dollars in foreign loans. Since January 1, 1990 the market has set bank interest rates and prices for production (with the exception of 19.5 percent of retail and 24.3 percent of wholesale prices).

A significant role in the regulation of finances and the struggle against inflation belongs to federal bodies. Thus, monetary policy, as well as currency issue, will come from the center. Until recently this has been a function of people's banks at the union as well as republic level. The federation's budget takes the responsibility upon itself to pay off foreign loans which were at some point taken out by less developed republics.

One of the measures to stabilize the course of the dinar is a wage freeze. In order to avoid negative social after-effects, a special union fund has been created to the amount of 150 million dollars. The capital from this

fund will be used to help those layers of the population which receive little pay and to retrain workers and create new jobs.

At the recent XIVth (Extraordinary) Session of the SKYu [Communist Union of Yugoslavia], the new idea for developing the economy received support. A single market in combination with government regulation will allow for fuller realization of the federation's possibilities of "including" the nation's economy in the European and world communities.

### USSR: Bulgarian Opposition Gaining Recognition

90U10349A Moscow TRUD in Russian 7 Jan 90 p 3

[Article by TRUD staff correspondent V. Khrustalev: "Who Do People Trust?"]

[Text] Independent associations, movements, and clubs are rising today like yeast. New parties are being born and established. The Union of Democratic Forces unites 12 social formations and parties. And Bulgarians are naturally scrutinizing their leaders, whose names are now in the limelight. What ideas are they professing? Why is their popularity growing at such a rapid rate?

It is not difficult to observe that the majority of opposition leaders were oppressed by the Todor Zhivkov regime. Many were arrested, sent to prisons and camps. The nonstandard thinking of "opposition" people did not fit in with the carefully guarded "monolithic unity of the party and people," or putting it bluntly, of the smoothed-down uniformity of thought cultivated by the Zhivkov clan. Not being a great intellectual himself, "Bay Tosho" kept the intelligentsia on a short leash. Poet Blaga Dimitrova spoke about this with bitterness: "The Bulgarian independent intelligentsia has long insisted on a dialogue with representatives of the authority. We stretched out our hand but ran up against arrests, searches, surveillance, eavesdropping, and threats..."

And could Todor Zhivkov reconcile, for example, with Zhelo Zhelev, who encroached on fixed dogma in philosophy and political economy? Then too, in his book "Fascism," Zhelev made a lightly veiled analogy between the state structures of the Third Reich, Franco's Spain, and Fascist Italy on the one hand, and Stalinism and subsequent one-man power regimes in East Europe on the other. Nor could Zhivkov help but be aware of the working title of the book—"The Totalitarian State." The book was banned, of course. And the author was many times arrested and forced out of work. Acting in this manner, Zhivkov involuntarily cultivated his own antidote, a fighter for justice. It is no accident that Zhelo Zhelev has now come to head the Union of Democratic Forces of Bulgaria.

An unexpected star on the political horizon is Petr Slabakov. The 66-year old actor of the Sofia Theater of Satire suddenly discovered he had the gift of a politician. Heading the organization "Ekoglasnost" back in the Zhivkov days when it had few members, Slabakov turned

it into a powerful movement with branches all across the country. The movement was fed not only by alarm expressed over deterioration of the environment, but also by repressive measures used by the previous leadership against movement activists. Reaction to the use of power was definitive—thousands and thousands of new members began flowing into the ranks of Ekoglasnost.

Unlike other leaders of the new "friendships," Petr Slabakov is not seeking power. "I would like Ekoglasnost to ever be an opposition," he declared, "to remain a strong movement any government would have to reckon with."

It seems the mass rallies and "roundtable" discussions have illuminated the figure of yet another activist of the Union of Democratic Forces, Georgiy Spasov, who came from the "Podkrepa" independent labor federation. Spasov is not satisfied with the course of democratization and believes the structures of totalitarian authority have not yet been affected to any meaningful extent. At the same time, this political figure knows what it means to be circumspect. Spasov espouses three principles—do not destroy what you cannot get under your control; do not demand what you cannot achieve; do not hurry to introduce changes which might shock the economy.

There are quite a few other rising stars in the world of the opposition, which is not homogeneous. It has its currents—radical, liberal, centralist, and extremist. But these currents merge in their basic demands—political pluralism, a multiparty system, a law-governed state, and a market economy.

How does the Communist Party relate to the opposition? The 14th Extraordinary Congress of the Bulgarian Communist Party, concluded last Friday, confirmed its credo on this question—it renounces extremism and accepts judicious reasoning as a basis for dialogue.

I confess that, with increased activity on the part of the Union of Democratic Forces, I personally have gotten the impression that the prestige of the Bulgarian Communist Party in society has been undermined. But let us consider a survey conducted by the Institute of Sociology of the Bulgarian Academy of Sciences, results of which were published recently in the Bulgarian newspaper TRUD.

The highest "confidence rating" was attained by the reformist wing of the Communist Party, in the personages of Petr Mladenov, Andrey Lukanov, Aleksandr Lilov, and Belcho Belchev (65.9, 55, 52, and 45.8 percent, respectively). Of opposition leaders, the highest place went to Petr Beron and Zhelo Zhelev (48.2 and 39.7 percent). As we can see, they are losing out to the Communist Party leaders. Nonetheless, the highest grade among political parties and organizations was received by the Ekoglasnost movement (58.2 percent). Behind it come the Committee for National Reconciliation, Bulgarian Agricultural People's Union, and only then—in fourth place—the Bulgarian Communist Party. Independent Bulgarian trade unions took eighth place in the "confidence rating" and the Union of Democratic Forces—tenth.

**Commentary Views Nicaragua Election Campaign**  
90UI0326A Moscow IZVESTIYA in Russian 27 Jan 90  
Morning Edition p 5

[Article by A. Korzin, Novosti Press Agency staff correspondent, Managua, for IZVESTIYA: "A Decisive Month"]

[Text] A month remains prior to general elections in Nicaragua. But in Nicaraguan standards a month is a fairly long time, and the needle on the public mood barometer, sensitive to the slightest changes in the political and economic situation, can swing in either direction.

The disposition of forces is as follows: Coming to the finish line in addition to the SNLF [Sandinista National Liberation Front] are nine parties and an alliance which joins 13 opposition organizations. They will share the votes of 1,700,000 registered voters. But already the only possible variants are clear—the victors will be either the Sandinistas or the National Opposition Union (the Spanish abbreviation is UNO). Chances for the remaining participants in the race are almost nil.

It would be exceedingly difficult to predict the results of the 25 February elections—data obtained from public opinion surveys are polar in opposition, depending on the political orientation of the organizations which conducted them. Nonetheless, the Sandinistas are confident they will obtain 70 percent of the vote. As P. Marketti, director of the research center of Central American University in Managua, observed: "Polls not only register public opinion, they influence it." In Nicaragua it seems the second function prevails.

For several months now, the country has literally been deluged with pre-election rallies. SNLF candidates to the posts of president and vice-president, D. Ortega and S. Ramirez, pay short, infrequent visits to Managua. Their Japanese and American jeeps, accompanied by security forces, are accumulating mileage—Chichigalpa, Ciudad-Dario, Diryamba, La-Libertad...

Emotional speeches ring out in the cities and villages, in the peasant cooperatives and livestock farms. Songs specially composed for the elections roar out from loudspeakers, firecrackers make their deafening noise.

UNO candidates V. Barrios de Chamorro and V. Godoy try not to lag behind the Sandinista candidates. The pre-election routes they travel are just as extensive, the speeches just as aggressive, and their confidence in victory is unshakable. Their slogan, "UNO—a formula for victory," elicits an avalanche of applause at the rallies.

The country has entered the final stage of an extremely politicized and polarized election campaign. You will see anything and everything discussed in newspaper articles, at meetings, or in a cafe over a bottle of beer—the next price increases, electrical power interruptions, water outages, or the robbery of a food warehouse—all of these

topics have an alternate, clearly marked pre-election meaning. Vice President Ramirez accurately called the SNLF political campaign prior to the official start of the election campaign on 4 December "just a warming up of the engines." Predictions that passions would be inflamed to the extreme in January and February are coming true. Already rallies sometimes turn into open conflicts between followers of the Sandinistas and those of the opposition, where rocks are thrown and iron rods used.

According to a BARRICADA (the SNLF organ) newspaper report, police in the city of Granada recently hurled tear gas grenades at "provocateurs interfering with the conduct of a Sandinista demonstration, and hurling insults and abuse at its participants." The opposition newspaper LA PRENSA, headed by UNO presidential candidate Barrios de Chamorro, did not agree with this version. It reported that the police attacked participants in a UNO rally being conducted nearby.

Emotions are inflamed for objective reasons. The destructive after-effects of war, economic collapse, price increases which are practically out of control, massive unemployment, and poverty of the most serious kind are influencing the pre-election mood of Nicaraguans. The elections will determine the climate in the region, the fate of a Central American settlement and, more importantly, the future of relations with the United States. Without normalization of these relations one can hardly talk seriously about stability in and around Nicaragua.

But emotions are also being heated up by the participants in the election campaign themselves. All this is causing serious alarm among observers from missions from the UN and the Organization of American States (OAS).

Registration of voters, the formation of election councils across the country, and the training of their personnel and the preparation of ballots have already taken place under the "magnifying glass" of the missions. Their representatives can often be seen at SNLF and UNO demonstrations. A subject of special attention is the provision to these rival factions of equal access to the mass media.

Up until recently, the appraisals of observers have been positive on the whole. At the same time, General Secretary B. Soares of the Organization of American States noted in his most recent speech on the course of the campaign in Nicaragua that the pre-election "atmosphere of violence" in the country and the clashes between these rivals could set off an explosion in this environment of political tension.

One point of the Nicaraguan defense minister's order bringing the armed forces up to a state of maximum combat readiness, in connection with the events in Panama, has evoked the direct criticism of UN and OAS experts. The US invasion of Panama is seen by the Sandinistas as a direct threat to Nicaragua and as part of an integral plan to isolate the SNLF from the political



arena. The other part is considered to be the Contras—their military activity in Nicaragua has intensified.

In connection with this, troops and military reconnaissance units have undertaken, in cooperation with state security organs, "to neutralize or destroy traitors encouraging overtly or covertly an invasion by the United States." Enemies of the Ortega government take this as a threat against them that is close to being executed regardless of whether an American assault force invades Nicaragua. The UN observer mission shares their alarm. During a recent visit to Managua, E. Richardson, personal representative of the UN secretary general, characterized this infamous point of the order as "unfortunate, and offering the possibility of broad interpretation and use against political enemies."

According to the view of LA PRENSA, a consequence of the defense minister's order has been the flow of public refusals from UNO candidates for posts of parliament deputy and membership in municipal councils to present an opposition alliance in the election campaign. More than 140 refusals have been registered to date and there seems to be no indication that this is the end of it. What is more—just recently, shortly following the visit of the major opposition candidates to the United States, it was learned that opposition promoters will be using more than their own slogans in the pre-election skirmishes. They will be using foreign money. In any case, George Bush publicly called upon the national committee leaders of the U.S. Republican and Democratic parties to provide financial assistance to the UNO pre-election campaign. Of course, Washington has never hidden its dislike of the Sandinistas, but this time the scope of things has clearly changed. The President, who has many times appealed to these very Sandinistas for "honest" elections, is resorting to a purely American gesture—does the opposition need a victory? Wrap it up—we'll buy it...

In the opinion of E. Richardson, what happens in Nicaragua next month will play a decisive role in the pre-election struggle.

### **Latin America's Foreign Debt Seen As Form of "Imperialist Supremacy"**

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[Article by Herman Sanchez, sector manager in the Cuban Communist Party Central Committee: "Latin America's Economic Crisis and Foreign Debt"]

[Text] The states of Latin America and the Caribbean Basin are undergoing the deepest economic crisis in their history. This statement has had time to become trite. Nevertheless, the reasons for the situation, which has taken shape, and possible ways to get out of it have still not been analyzed to a sufficient degree.<sup>1</sup>

The problem of the crisis has always evoked anxiety among many Latin American politicians, mass organization directors and economists. However, it has become the center of attention of the broadest public during the present decade. Alarm is strengthening on the continent. Beginning in 1981, economic indicators began to drop and the living standards of the overwhelming majority of the population began to fall. Mexico's introduction of a moratorium on its debt payments in 1982 clearly illuminated the connection between foreign debt and the miscalculations in the world's capitalist economy.

Many prognoses and alternative programs for solving the problems, which have accumulated, have appeared since that time. The crisis has continued to deepen and no light is visible at the end of the tunnel as yet. The region's economy is marking time at the level of a decade ago. The consequences of the 1981-1986 slump are letting themselves be known and an unsteady revival of production is being noted only in certain countries and branches. Inflation has not been controlled, prices for basic export goods continue to fall and conditions for international trade are worsening. Investments are being reduced, denationalization and the outflow of capital continue. As a result, neocolonial dependence is increasing. The debt is not only aggravating the crisis; it has become a Gordian knot and a new and very dangerous form of imperialist domination over the countries of Latin America and the Caribbean Basin.

Both external and domestic factors, which have been connected from the start with the region's historical place in the system of colonial and, subsequently, neocolonial oppression have given birth to the present situation. The ruling classes bear responsibility for it. In some cases, they resisted—and even now are sometimes resisting—imperialism's policy, while remaining subordinate to it on the whole. The "leadership" is hindering reforms aimed at overcoming the lack of development and the crisis. Instead of radical changes—agrarian reforms, the expansion of the domestic market and an increase in the level of capital accumulation and investment in key branches, they have tried to overcome the crisis and muffle social protest by considering the interests of transnational corporations, increasing foreign debt and accommodating their economic policy to the requirements of international financial capital. A considerable percentage of the guilt also lies on the industrial states of the West (mainly the United States), which have moved the consequences of the economic slump in the centers of imperialism to the region.

Perhaps the most alarming thing in the critical situation, which has been created, is the absence of practical measures to eliminate its deep causes. The social structure, which exists in the region's countries, has entered a protracted social crisis. The development of the countries has been halted and they are falling behind the leading capitalist powers more and more.

The bulk of the financial assets, which are in circulation in the modern world, are basically being used in the

imperialist states themselves and it is unrealistic to expect a new flow of capital to the periphery. The scientific and technical revolution and the rapid progress in microelectronics, biotechnology and automation are permitting the industrial countries to replace natural raw materials with cheap synthetic materials. The renewal of the production structure is having a negative effect on exports from Latin America. The slow economic growth rates in the West and the continuing threat of a recession are fraught with danger for the entire "Third World".

It is necessary to point out internal factors also: The concentration of land ownership, the structure of power which relies on antinational financing and a land-owning oligarchy in many countries, the strengthening of technocratic tendencies, and the narrowing of the role of the state to limits determined by creditor banks and armed forces are hindering the continent's development.

The living conditions of the majority of the population are sharply worsening: Full and partial unemployment, pauperism and crime are growing and real wages and the quality of education and health care are being lowered.

The capitalist system is capable of renovating itself after the recurring crises that are inalienably inherent in it. In Latin America and the Caribbean Basin, however, trends that threaten its very future are growing. At the end of the Eighties, neither regional nor international mechanisms for restraining them existed. The crisis on the continent will not solve itself since dependent capitalism does not possess inner potentials for its overcoming. Every attempt to insure the survival of this system and the "controllability" of the crisis ends in failure as the experience of many countries testifies.

Beginning in the Sixties, the leaders of the Cuban revolution analyzed the debt problem in light of the economic situation in Latin America and the entire poorly developed world. In 1985, F. Castro offered proposals that are widely known now—proposals whose timeliness subsequent events confirmed.

We are talking about the cancellation of foreign debt as an obligatory condition for development. F. Castro pointed out that, for the first time in history, the poorly developed states have been given an opportunity to take the initiative from the capitalist powers. Among all the regions of the "Third World", the republics of Latin America and the Caribbean Basin have the greatest chances for success in this matter in light of their economic and political importance, enormous amount of debt, the depths of the economic crisis, the risk of social explosions with their unforeseen consequences, and the community of interest and cultural and historical peculiarities. The proposals, which F. Castro put forward, do not threaten the international financial system with disintegration: The industrial powers can cancel the debts of the debtor countries by directing 10-12 percent of their military budgets to this purpose. The reduction of military expenditures would contribute to the South's development, stimulate the economic

growth of the creditor states themselves and, in the final analysis, strengthen detente and peace throughout the world.

The cancellation of the debt would ease the situation in many nations but by itself it does not guarantee a stable growth in their economies. The poorly developed countries could again fall into a vicious circle of financial dependence. In order to avoid this, a new international economic order is required and—in Latin America—a rapid movement towards effective integration and economic cooperation is also required. The present historical struggle for the continent's true independence is even more important than was the movement to free people from colonial domination at the beginning of the last century.

Success is possible only with the broadest unity of social and political forces in each country and the solidarity of all the states in the region. It is necessary to enlist the aid of those circles in the creditor countries which recognize the benefit of the changes being proposed. It is necessary to isolate only the out-spoken servants of imperialism.

Why did Cuba exert so much effort to elaborate the problems of the crisis and the debt in 1985? What inspired F. Castro to devote a considerable portion of his time to these matters?

The debt crisis had reached its extreme acuteness at the beginning of 1985. Nevertheless, many of the region's politicians and state figures still did not realize the full complexity of the situation. Others hoped for a quick solution. Under the conditions proposed by F. Castro, the Latin American and Caribbean countries could fully demand a halt to the plundering; however, they could oppose their creditors only by standing together. At that time, despite several joint steps<sup>2</sup>, the transnational banks did not have an agreed position in the event of an insolvency on the part of the poorly developed states.

According to data from the UN Economic Commission for Latin America, the threat of a financial crash unprecedented in history existed: In 1982, the total of the loans granted by the banks to Latin American and Caribbean countries was 124 percent of their capital. The failure by even one or two countries to pay their obligations was fraught with destabilization of the leading world banks and "catastrophic consequences for trade and production."<sup>3</sup>

At that time, the creditors could not withstand a common assault by all or a majority of the Latin American and Caribbean states supported by the remaining part of the "Third World." Events took a different turn: One by one, the debtors compromised with the bankers.

F. Castro's proposals had opened up a real opportunity to solve the debt problem during the mid-Eighties and thereby eliminate other obstacles to overcoming the economic crisis and lack of development. The adoption of this draft required boldness, decisiveness and the ability to use the favorable international situation.

However, the continent's ruling classes did not at all act in the spirit of the times although the Cuban leader particularly pointed out that his initiatives were not aimed at undermining the social system that existed in this or that country. On the contrary, a realistic alternative, which took the long-range interests of the creditor banks and the strategic economic benefit of the developed capitalist powers into consideration, was being proposed.

An historic opportunity was lost. The Latin American governments were not able or did not want to act and accepted the conditions imposed on them. Today, however, very few of them would agree to a subordinate role. Pressure from below is growing and the people do not wish to sacrifice themselves to an economic policy determined by foreign interests. The foreign debt has ceased to be of concern only to financial specialists and has been put at the center of the continent's political struggle.

Now, a word for the masses. Since 1985, trade union, youth, peasant, student, women's, and other organizations; political parties; the leaders of all trends; and religious figures have understood more and more distinctly that it is impossible to pay or to recover the debt, although some add—out of prudence—"under existing conditions."

In 1984, the Latin American governments for the first time came out jointly against the policy of the International Monetary Fund and the consequences of the foreign debt. A total of 11 countries established the Cartagena Agreement and announced the requirement for a political approach to the problem—hastening to explain, however, that they did not intend to form a debtors' cartel.

A reduction in interest rates and an upsurge in the world capitalist economy played into the hands of the creditors who had far-sightedly made certain concessions in 1985. It is not surprising that many governments of the debtor countries and the creditor states at the time shared the illusion that the strategy of the banks had halted the growth of the debt despite all the obviousness of the crisis phenomena.

At the same time, the conviction that the debt was being transformed into a distinctive type of focus for the social consequences of the crisis was becoming stronger in public opinion, certain layers of the dominant class and even the governments. Similar views and statements by the masses which assumed an extremely militant nature in a number of countries, the meetings which were held in Havana, and the interest in F. Castro's initiatives—all this alarmed the creditors.

The so-called "Baker Plan" appeared in 1985. With its help, Washington was trying to revive the strategy of the creditors, putting stress not only on "strict savings conditions" but also on the need for economic growth. The plan reflected a desire to extinguish the protest in some Latin American countries, including Peru. The belated

and limited initiative quickly failed because new loans totaling 29 billion dollars were required to implement it. The banks refused these resources since an outflow of capital from the South had clearly taken shape at the time.

While coordinating their actions within the framework of a common strategy, the majority of creditors today intend to stimulate economic development in the debtor countries using the principles of neoliberalism and induce them to reorganize their economies in accordance with the changes in the international division of labor. These are such that the region's countries are becoming subordinate more and more to the interests of large capital and the imperialist powers, undermining the sovereignty of the people. A desire to prevent the uniting of the debtors, to preserve at any cost the principle of negotiating with each one of them separately and to reject any request on canceling the debt, even if it comes from the poorest countries, is present.

Based on these premises and considering the serious social and political manifestations of the crisis (unrest in Venezuela and Argentina which confirms the dangerously high explosiveness of the situation), the new U.S. administration began its Latin American policy with the hasty proclamation of the so-called "Brady Plan" in March 1989.

Just as in the case of the "Baker Plan," the measures are belated and half-way. Nevertheless, the U.S. government is acting decisively this time and is introducing new elements into its approach to the debt problem. It has evoked a favorable reaction and raised certain hopes among the Latin American governments. However, this attitude can be considered as evidence of their weakness and readiness to accept the conditions of the creditors.

At the beginning of 1989, the banks were already not discussing whether they had to introduce corrections into the mechanism for granting loans. They were thinking about how to reduce the unavoidable losses to a minimum and divide them between them. The purpose of the "Brady Plan" is to overcome the disagreement between the creditors and to secure for Washington the role of supreme arbitrator and guarantor of their global strategy that was lost after the failure of the "Baker Plan."

The "Brady Plan" is not a review of previous policy although it includes several new elements. The Bush government is using the same adjustment mechanisms as the banks in their relations with each other. Since it has not been possible to alleviate the crisis using new loans and investments, an attempt is being made to reduce debt payments without changing the subordinate position of the debtors. Based on economic and political considerations, Brady has proposed reducing the amount of debt so that the creditors will not lose control over the situation. The leading capitalist powers have supported the plan—many of whose propositions correspond to their proposals.



In any event, the proposed 20 percent reduction is not commensurate with the real fall in the cost of the debt obligations of a majority of the "Third World" countries in financial markets. This exceeds 60 percent.

On the other hand, the state assets to implement this plan (20-30 billion dollars over the course of three years) will be insufficient. Moreover, only 39 countries are included in it and privileges are being granted to some of them. The goal is to spread discord in the "Third World," achieve an even greater subordination of the "elite" and strengthen the passivity and separation of the debtors.

The "Brady Plan" is part of the imperialist strategy to reform the economies of the poorly developed countries. It encourages the transfer of state property to private hands, the opening of markets and other neoliberal measures which make the time of the crisis even more difficult for the popular masses. Different economic, political and repressive acts are also being provided for to permit the region's ruling circles to neutralize outbursts of protest.

Evidently, the program will not work in the majority of countries; diverse factors are operating regardless of the will of the United States and other countries that support it. However, the "Brady Plan" has brought temporary dividends to the United States: Many governments in Latin America are seemingly standing in line for the promised benefits. The deciding word is for the people. However, it is now important to unmask Washington's new maneuver and, in anticipation of its collapse, to mobilize the workers and demand firmness and consistency from governments in the matter of the foreign debt.

Until recently, the position of the states in Latin America and the Caribbean Basin was rather one for effect. They almost did not raise the question of the reasons and responsibility for the debt crisis and did not pay sufficient attention to the search for a strategy to overcome the situation that had taken shape. The Cartagena Agreement, the Group of Eight, the OAS, and the Latin American governments (together or separately) had not defined ways to actually and finally exit from the crisis and the debt dead-end.

Reassuring signs of progress appeared in 1989. The rapid discrediting of several democratic regimes because of the worsening of the social and economic situation and the obviousness of the connection between the economic slump, foreign debt and the continuing impoverishment of broad layers of the population induced many of the region's governments, in particular the members of the Group of Eight, to think about the need for developing a joint strategy. A total of 26 countries—members of the Latin American economic system—decided to convene a regional conference on the problem of the foreign debt.

Today, the main responsibility lies on the governments—they must finally recognize what their chances for negotiations are. There are a sufficient number of

sound and even detailed proposals and vast information for developing a realistic Latin American-wide and Caribbean strategy. Everything depends on political will and the determination to defend common positions. Of course, not a single government will be able to act without the support of the people. The mass movement will have to strengthen its actions against the dictate of the International Monetary Fund and world financial capital. The struggle of the people to defend national sovereignty and the right to life is an obligatory condition for the origination of a united front of governments.

In each of the continent's states, one can expose antinational forces in the economy and the owners of enormous capital, who have transferred it to the countries of the West and, thereby, transformed their own motherland into a creditor, using the policy of international financial centers. These "transnationalized" figures exert considerable influence on government decisions. They themselves do not experience any negative consequences of the economic stagnation and outflow of capital and resources. They have special interests within the country and beyond its borders and broad opportunities for profiteering and importing and exporting capital depending on the level of profit. These people are playing into the hands of the imperialist powers, transnational corporations and creditor banks.

It is important that a Latin American-wide strategy be built which takes into consideration the interests of the entire "Third World" and the constructive proposals put forward by Spain, France and Japan. The policy of the socialist countries, which can be judged in particular from M. S. Gorbachev's speech to the session of the UN General Assembly, is also strengthening our policy. Among other things, he suggested introducing a moratorium on debt payments for a period of 100 years.

The Latin American governments and their consulting specialists are better and better understanding the need to alleviate the debt's economic and social consequences for the sake of "managing" the crisis, easing the burden of payments to creditors, stimulating trade, and receiving new financial assets. They are continuing to erroneously assume that it is sufficient to make do with half measures for this. They are not taking into consideration the profound international reasons for the present dramatic situation. Actually, they are recognizing the main "rules of the game" imposed by the creditors, which assume an obligatory continuation of payments. In our opinion, the implementation of far-reaching proposals of this type will—in the best of cases—alleviate the debt problem, but will not eliminate either the problem itself nor its deep roots. Can one count on the support of the people and demand new sacrifices from them for the sake of such modest goals?

However, are the present Latin American and Caribbean governments capable of insisting on their conditions for solving the debt problem, establishing a new international economic order and entering onto the path of integration and development?

These questions are by no means evidence of pessimism or prejudice. Actually, the region's dependence on transnational capital and the accumulation of highly explosive problems in Latin American societies are forcing the ruling circles to actively search for a way out of the crisis. F. Castro has pointed out: "I hope that our hemisphere's leaders will take steps to solve these problems and avert large social explosions. Otherwise, they will assume the same role which the last kings of France or the last czars of the Russian Empire played at one time."

Although the situation is worse today than in 1982 or 1985, a fundamental solution to the debt problem is still possible.

Following the United States, Great Britain and other developed states, neoliberalism is beginning to supplant in Latin America the policy which was based on Keynesianism and theories close to it. The introduction of a neoliberal model guarantees the dominant position of international financial capital. The state's economic role is reduced; conditions for the free transfer of capital, trade and services are established; national industry is reduced; and local capital loses its position. Financial profiteering plays havoc and the importation and attraction of credits, which increase the amount of foreign debt, grows. Neoliberalism strengthens the drop in production and inflation, encourages the concentration and centralization of capital, enriches a few, and plunges the majority into poverty.

At the present time, this doctrine has become the foundation of the economic policy in the majority of the region's countries that are following the "recommendations" of the International Monetary Fund. Both civilian democratic and military dictator governments profess it although, as Chile's experience testifies, it is easier to implement neoliberal postulates in an atmosphere of repression.

With the help of this theory, the transformation of capitalism in accordance with the requirements of the imperialist powers is being carried out. However, its "transplanting" into the "Third World" is contrary to the interests of the poorly developed states. One of the initial points of neoliberalism is the principle of the struggle of "equals." This is not applicable in relations between countries that are separated by a deep economic and technological gulf.

The Latin American version of neoliberalism uses as a cover the outwardly attractive but, in fact, false slogan of modernization as a cover. Its adherents talk over and over again about the need for sacrifices in the name of future prosperity based on privatization and the complete openness of the economy and the elimination or sharp reduction in the role of the state in it. They justify their actions by "realism" and indications on the dependent position of the region's states in the world capitalist system. The imposed "modernization" will inevitably involve the weakening of the continent's economy and its complete subordination to transnational corporations

and the intensification of poverty. This is the price for access to certain modern technologies and the achievements of industrial societies.

Not simply servility and groveling by the "realists" are behind this traitorous policy. Behind it is the program of large Latin American financial capital which has been integrated into the structure of transnational corporations and banks. The notorious "modernization" is the ideological and political platform of a number of parties and politicians who share the approach of imperialism and its clients to the problem of overcoming the crisis. We are actually talking about the modernization of dependence, social polarization and the aggravation of the contradictions in the neocolonial variety of capitalism.

Many political leaders reject such a strategy and propose certain intermediate versions, for example, the payment of debt interest but in such a way that the condition—disastrous as it is—of the popular masses is not worsened. They are opposed to transferring the state sector to private hands and support its preservation as a regulator of economic activity and a guarantee of national interests, and they favor a new international economic order and integration.

With every shade of position and various degree of influence in this or that country, the representatives of the moderate trend warn about the dangers to stability and the democratic system itself which a neoliberal policy brings. They are being made uneasy by the fact that a historical moment, which is favorable for democracy, may be lost since the fate of the continent's constitutional regimes depend primarily on overcoming the crisis and on an upsurge in the economy. However, these political figures cannot understand that neither the one nor the other is possible while preserving the system of foreign domination and deformation in the social and economic structure of the Latin American countries. It is no accident that they have not managed to work out a developed plan and enlist the reliable support of the masses.

Is it possible to enlist a portion of these politicians and the circles, which stand behind them, to support a more radical and, at the same time, realistic program? In our opinion, the breadth and flexibility of the positions of all democratic, patriotic, popular, and revolutionary forces and their rejection of old methods will have decisive importance.

First of all, it is necessary to dispel technocratic illusions about the possibility of overcoming the crisis through carefully developed economic models. Of course, an economic program is necessary but it is insufficient by itself. Only the establishment both in each individual country and on the continent as a whole of a broad social movement capable of defeating the economic and political circles interested in preserving the status quo, can be the decisive factor.

A return to the past is impossible. The Latin American economy is not simply experiencing a slump: The present situation results from the failure of past models of development, unfavorable external conditions and attempts to treat the illness using the methods of neoliberalism. Alternative programs for getting out of the crisis can be based only on international realities and the objective trends in the development of the world's economy. That is why any national anti-crisis program is realistic if it provides for achieving economic independence from imperialism and participation in the world's economy on new bases.

Are the Latin American countries capable of achieving such a goal one by one? Cuba's experience has shown that they can—through a social revolution. This path is open even now, although—it is not strange—they are

now placing more obstacles on it than 30 years ago. The reasons are the depth of the present crisis, the transformations that are taking place in the socialist countries and the difficulties they are undergoing. Of course, these circumstances will not stop the struggle of people for just goals. The victory of the revolution in any of the continent's countries remains possible. Nicaragua has shown that the revolution is capable of enduring despite unfavorable international conditions and the hostility of the United States. On today's agenda is the combining of the efforts of revolutionaries and those who favor more moderate ways to solve the economic and social problems of the Latin American people for the sake of overcoming the crisis and achieving greater independence and the implementation of a development strategy in the interest of a majority of the population.



**U.S. Said 'Ignoring' Soviet Asia-Pacific Initiatives**  
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[Article by Aleksey Demosfenovich Bogaturov, senior scientific associate of the United States and Canada Institute of the USSR Academy of Sciences (ISKAN), candidate of history, and Mikhail Grigoryevich Nosov, chief of the sector for Pacific Ocean policy of the United States of the United States and Canada Institute of the USSR Academy of Sciences, candidate of history: "The ATR [Asiatic-Pacific Ocean Region] and Soviet-American Relations"]

[Text] In spite of certain progress in the dialogue of the USSR and the United States on global and European problems, the Asiatic-Pacific Ocean Region, as before, occupies a subordinated place in Soviet-American Relations. In part this is connected with the conceptual differences between the two countries in the approach to the strengthening of stability and confidence in this part of the world. Declaring the interdependence of the global and regional aspects of detente, the Soviet Union advocates the application, to the ATR, of the experience accumulated in Europe and in the bilateral Soviet-American relations with respect to the attainment of mutually acceptable solutions for the relaxation of tension and for the realization of global agreements, taking into account the specific problems of the region.

The United States, for its part, considers that the extension of detente trends to East Asia and the Pacific Ocean Basin must be preceded by the regulation of the existing regional conflicts and disputes. In point of fact, Washington, which, not without reason, regards its position as sufficiently strong and stable, defends the necessity of maintaining the status quo in the region, which means refusal of a regional dialogue with the USSR and the aspiration to preserve the American dominating and the Soviet minimal influence in the region.

Both positions are logical in their own way. At the same time, it is difficult to pass by the fact that many Pacific Ocean states are displaying an approach which in its basic features is similar to the American approach.

Proceeding from the situation that has actually taken shape in the region (and it may be characterized by the presence, in United States' hands, of powerful political, economic, and military means of pressure and the absence of similar possibilities for the USSR), it evidently makes sense to utilize the objectively valuable entailed in the position of the United States, not repudiating at the same time the idea of advancement to the ultimate goal—the strengthening of security in the ATR both from the upper, global and the lower, regional level.

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For such an approach, there are enough serious prerequisites. It goes without saying, in the whole spectrum of

Soviet-American relations in the region the global problems are represented sufficiently widely. These are the questions of the control of nuclear strategic and tactical weapons, based in the ATR, the regulation of the military-naval activity in the area of water of the Pacific Ocean, the restructuring of international economic relations on a democratic basis, questions of the stable provision of the economy with energy sources and raw material, and the problems of the environment in the regional aspect.

Along with them there exists a large complex of interrelated specifically Asiatic-Pacific Ocean problems, the satisfactory solution of which is hardly realistic without a constructive dialogue between the USSR and the United States or even if only a sufficiently important reduction in the rupture in their points of view. The question in this case is, above all, the prevention of an uncontrolled development of the situation in Korea, Kampuchea, the normalization of relations with Japan, the linking up of the Soviet Union to the Pacific Ocean cooperation on a regional basis, and the provision of the security of shipping and aerial flights. The simple enumeration of these questions is sufficient in order to understand the importance of a constructive dialogue about them between the USSR and the United States.

Declarations of the Soviet leadership have underscored the Soviet Union's understanding of the fact that, without the United States, without its participation, it is impossible to solve the problem of security and cooperation in the Pacific Ocean zone in a manner satisfactory for all. However, up to now Washington, unfortunately, has virtually completely ignored Soviet initiatives in the Asiatic-Pacific Ocean region, which by tradition is considered to be one of the key regions of Soviet-American antagonism.

The assessments of the military-political situation in the region by us and our American opponents do not correspond in many respects. The Soviet Union manifests an evident concern about the growth of the arms race, which is indicated not only by the repeated and diverse proposals for the reduction of arms there, but also by practical steps in this direction. Beginning in 1984, the Soviet Union stopped the increase of surface nuclear weapons in the east of the country, as of 1986 there has been no increase in the number of carrier-aircraft, the Soviet troop contingent, temporarily stationed in Mongolia, is being reduced by 75 percent, and there is a reduction of 200,000 men of the Soviet armed forces in the Asiatic part of the USSR. In the course of M. S. Gorbachev's trip to the People's Republic of China in May of the past year, a decision was taken concerning the reduction of Soviet and Chinese armed forces in the common border region to the minimal level corresponding to normal good-neighbor relations. In accordance with the Agreement on Medium and Short Range Ballistic Missiles, Soviet short and medium range ballistic missiles are being eliminated by the summer of 1991. According to a declaration of the chief of staff of the Armed Forces of the USSR, Army General M. A.

Moiseyev, the composition of the Pacific Ocean Fleet has decreased by 57 ships between 1984 and 1989.

As far as the United States is concerned, on the one hand, the thesis of "Soviet military-naval superiority" in the Pacific Ocean is being widely circulated, and, on the other, we see a complete lack of desire to conduct a constructive dialogue about the reduction of arms in the ATR, which, it would seem, opened up the path to the liquidation of the asymmetry existing in the American conceptions about the balance of forces in the region. There exists a thesis according to which the United States in general is not interested in negotiations with the USSR on problems of Pacific Ocean security since Washington is satisfied with its positions there.

However, the analysis of the dynamic of the development of the situation in the ATR makes it possible also to speak about the fact that it is increasingly difficult for the United States, and, what is the main thing, more expensive, to secure a leading position in the region, which, first of all, is connected with the inadequacy of the military and economic role of the United States. The preservation of the principle of "the containment of communism" in American policy in the ATR for 40 years led in the end to a situation, where the United States, spending about \$50 billion a year for the maintenance of its 330,000 military force in the region, have a foreign trade deficit of 140 billion, of which about 70 percent are accounted for by Pacific Ocean countries. In addition to this, in 1988 the deficit of the federal budget of the United States came to \$150 billion, and its growth is in many respects the result of the unprecedentedly large military budget, a significant part of which has been earmarked for development in the ATR. In fact, the United States guarantees the defense, above all, of precisely those countries which it accuses of aggravating the problems of the chronic imbalance of American foreign trade.

As the director of the Center for Problems of Peace and Conflicts of the University of California, Jerry Sanders, wrote, "the growing cost of aircraft carriers and battle-ships necessary to guarantee military and naval superiority almost for sure promote the conservation of the preconditions for our economic decline. At the same time, the security of Asia will not become simpler as the result of presence of tens of thousands of American soldiers in Seoul and Manila. The attempts to preserve these imperial forts are only a magnet, which attracts anti-American feelings, which isolate the United States from the regional policy and the hopes of the nations."<sup>1</sup>

Fears of that sort rest not only on economic, but also on political foundations. The policy of the USSR in the region has led to a significant reduction in the level of tension and confrontation. In May 1989, Soviet-Chinese relations were normalized, and in February of the same year the withdrawal of Soviet troops from Afghanistan was completed. In 1989, Vietnamese military units left Kampuchea, which facilitated the road to the settlement of the conflict. Also conducive to the relaxation of the

situation in the region are the steps undertaken by the USSR in regard to the development of relations with the countries of ASEAN [Association of South East Asian Nations], Japan, Australia, the establishment of economic contacts with South Korea, and the already mentioned actions in the direction of arms reduction. In these conditions, Washington's possibilities of justifying its military presence in the region through the Soviet or Vietnamese threat have significantly narrowed.

Today the United States increasingly strongly feel the aspiration of many countries of the ATR to weaken the grip of the American military tutelage. Washington came into collision with the growth of anti-American sentiments in South Korea, with the movement against the preservation of the American military bases in the Philippines after 1991, and with the anti-nuclear sentiments in the majority of countries of the region. In December 1987, the states of the ASEAN states reacted negatively to pressure from the United States in favor of the inclusion, in the declaration of the ASEAN "Six" at the summit in Manila, of the demand for the support of the idea of the prolongation of of the agreement on the American bases in the Philippines by the countries of the region. Instead of this, the ASEAN countries agreed "in principle" to the creation in Southeast Asia "of a zone free of nuclear weapons", by analogy with the one which has existed in the southern part of the Pacific Ocean. In June 1988, the Senate of the Philippines took a stand against the introduction of nuclear weapons on the country's territory.<sup>2</sup>

The realities of the situation in the ATR confront the administration of George Bush with difficult tasks. A simple extrapolation of the Reagan policy, aimed at the isolation of the USSR in the region, attended by the maintenance of a high level of military expenditures, an enormous negative foreign trade balance and federal budget deficit, can hardly be considered an attractive prospect for the current administration. Probably, it is appropriate to expect that the United States will attempt to solve the problem of destroying the bi-unity [dvuyedinstvo] of the military colossus and the debtor, understanding the direct dependence between the growth of military efforts and the foreign, as well as the domestic, debt. How this will be realized is difficult to say for the time being, but it can be suggested that Washington's policy will be increasingly oriented to the recognition of the region's structure, in which geostrategic considerations will gradually yield to geoeconomic ones.

Probably, even the Soviet Union made far from full use of all the possibilities for the involvement of the United States in a serious dialogue on the problems of regional security and arms reduction. Indeed, even in Europe, during the period of the preparation of Helsinki, there was no serious discussion until the Soviet Union proposed the kind of agenda which would be of interest and advantage, not only to it, but also to its partners. Many Soviet proposals, which look acceptable for all, in the United States are regarded as being of onesided advantage to the USSR. Therefore, both in Asia and in Europe,

where it proved possible to find a mutually acceptable agenda, probably the kind of package should be proposed to the American side which would include both Soviet and American interests and priorities.

One could begin here with an analysis of the military doctrines and national interests of both sides in the region, on the plane of the assessment of their adequacy and compatibility, as well as on the level of their comparison in the sphere of the system of Soviet-American relations. The USSR should formulate its military doctrine in the ATR more precisely and, on its basis, propose a balanced package of initiatives. The analysis of the already advanced Soviet proposals by American specialists could suggest their bottlenecks, and possibly also a modification in accordance with mutual interests. Equally important for us are the American conceptions of arms control in the Asiatic-Pacific Ocean Region.

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One of the most important questions of security in the ATR, which requires Soviet-American cooperation, is the settlement of the existing conflict situations. For example, without overcoming of mutual suspiciousness, it is difficult to hope for positive advances in the question of the settlement of the situation in the Korean peninsula, which, probably, has ripened for a more active discussion between the USSR and the United States.

Both powers are clearly interested in the prevention of outbursts of instability in the region of the demarcation line. The dialogue between North and South Korea that is periodically resumed, although as a whole it is a positive sign, objectively leads to the increase in the dynamic of intra-Korean contacts, which—in the conditions of distrust and hostility that are being preserved in Seoul and P'yongyang—increases the intensiveness of the development of concrete differences, clashes, and polemic outbursts. For this reason, it is especially important to encourage restraint and the growth of flexibility of the two opposing sides in order for these, on the whole inevitable, contradictions not to develop into a larger dispute and to impede the development of contacts.

It is important to note that gradually in the USSR and in the United States there is a growing understanding of the difference in the approaches to the settlement, on the part of the South, as well as the North, of the comparability of the responsibility of the leadership of both parts of the country for the tension being maintained. Such a counter-movement is observed on the level of representatives of the academic world, experts and public opinion of the Soviet Union and the United States. However, in the official positions of both powers perceptible changes are not visible up to now, whereas it would make sense to proceed to the shift of the question of the conduct of informal Soviet-American discussions on the Korean problem to the practical plane.

Their goal, probably, could become, for example, the development and fixing of a common understanding of

the role and responsibility of the great powers for the maintenance of stability in the peninsula and the admissible limits of their actions on those aspects of the situation, where Soviet-American mutual understanding is still absent for the time being or is clearly inadequate. On a more concrete plane, it would be important to take a step toward an understanding on the agreed-to curtailment of Soviet arms sales to the Democratic People's Republic of Korea and American military activity in South Korea. At the same time it is evident that these steps are inadequate to increase stability in the peninsula without the conclusion, in one form or another, of a direct agreement on non-aggression between the North and the South, which would envisage the step-by-step withdrawal of US troops, but at the same time would maintain effective international guarantees against any attempts of a forceful change of the socio-economic and political order in both parts of the country. This is why the USSR and the United States could mediate in the organization and development of a general conception of direct negotiations between Seoul and P'yongyang, it goes without saying, if both sides would agree to this. In any case, it is evident that it will hardly be possible to talk about the normalization of the situation around Korea realistically without the establishment and high-quality development of economic, cultural, humanitarian, and other relations of both parts of the country with the surrounding world. The intensification of Soviet-South Korean contacts in this sense are no less important than the development of a dialogue of the Democratic People's Republic of Korea with the United States and other industrial countries.

The normalization of the situation around Kampuchea, in the approach to which it is important for the USSR to find points of contact not only with China, but also with the United States, is also seen in this key. As the visit of U.S. Vice-President Dan Quayle to Southeast Asia, in particular to the Thailand-Kampuchea border, in May 1989 showed, the Bush Administration attentively follows the development of the Kampuchean problem. The readiness of the USSR and the People's Republic of China [PRC] to assist a fair and reasonable settlement of the Kampuchean problem, which was confirmed in the course of the visit of M. S. Gorbachev to Peking [as published] in May of the past year, opens up for Washington the real possibility of playing a positive role in the process of solving this conflict. Any attempts to interfere with this in the conditions of the constructive changes that have occurred in the Kampuchean situation, would be counterproductive for American policy in Southeast Asia and U.S. relations with the USSR and China.

The question of external support of the opposing Khmer sides in the conflict became a key aspect. But if, with the withdrawal of the contingents of Vietnamese volunteers, the direct military support of the leadership of Heng Samrin has been substantially curtailed, the United States in the meantime does not pursue the cessation of assistance to the forces of Son Sann and Sihanouk.



To a certain extent, this also allows the PRC to preserve sufficiently many vaguenesses in the question of the ending support of the "Khmers Rouges". Meanwhile it would make sense to coordinate the question of foreign assistance to the sides involved in the Kampuchean conflict not only on a bilateral (USSR and United States), but also on a trilateral (with the participation of the PRC) basis. The practice of the Afghan settlement shows demonstrates that precisely the question of foreign assistance and guarantees is of decisive significance for the development of the situation, after the legal agreements formally have been attained that are being recognized by all interested sides.

On the plane of the prevention of a lack of understanding of the Soviet Union's relations with the Socialist Republic of Vietnam, the objective probability of which may increase in proportion to, first of all, a rather rapid Soviet-Chinese rapprochement, and, secondly, in consequence of the inevitable dissociation of the USSR from any forms of involvement in the Indo-China conflict, it is important extend assistance to Hanoi in the establishment of more constructive relations with the United States and China.

In so doing, it must be kept in mind that the inclusion of the Socialist Republic of Vietnam in a normal exchange with the Pacific Ocean countries, including with the ASEAN states, in many respects would improve the situation in the region, and the positive influence of the USSR on this process could weaken the distrust of the developing countries with respect to Soviet policy. This, in its turn, would facilitate the perception of the peaceful initiatives of the USSR in the region and would encourage the formation of a more favorable political-psychological climate for the participation of the USSR in the economic life of the region.

The overcoming of the hostile and suspicious attitude toward the policy of the Soviet Union in East Asia and the erosion of the stereotype of the Soviet threat and the communist danger on the part of the USSR for the Pacific Ocean states in the present conditions acquires special significance. Having proclaimed the new political thinking, based on a non-confrontational approach, the Soviet Union has practically taken a step toward the repudiation of an increase of its influence through the projection of its military power. At the same time, the task of expanding our participation in the economic life of the region has not been crossed out, the task of inclusion in the system of sufficiently developed and diverse relations of interdependence with all Pacific Ocean states, which alone can serve as a real guarantee of the general interest in the military-political stability of the situation. However, in the establishment of such relations not only our evident economic backwardness constitute an obstacle, but also the difficulties in the relations with the states of the region, which regard with distrust the declarations concerning the purely peaceful

aspirations of the USSR, whose interests have traditionally been associated more with the acquisition of strategically advantageous bases than with the search for partners in economic cooperation.

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The consideration of the American factor in the process of the formation of Soviet policy in the ATR today, both because of objective reasons and in consequence of our growing interest in regional stability, acquires almost key significance, above all in those directions where in the previous years the dynamic has been low and where the activation of the Soviet "peace offensive" will objectively lead to a change in the character of the balance of influence. First of all, this pertains to Soviet-Chinese relations.

Precisely today, when their forward movement is so evident, it is important to concentrate efforts to impart a form to them that is adequate to the realities. The rapprochement of the USSR and the PRC undoubtedly is of concern to the United States and Japan, as well as to the Socialist Republic of Vietnam or the developing countries of the region. And although the adherents of the view that the recreation of a powerful Soviet-Chinese political-ideological alliance is possible are few, such a point of view exists. Whether it will remain in the minority or whether it will acquire more substantial influence on the American leadership will depend in many respects on the forms, tempo, and directions, as well as, it goes without saying, the ideological basis of Soviet-Chinese cooperation.

In so doing, it is appropriate to underscore that the method of unilateral or agreed-to declarations of intentions of the sides in this cooperation, though it has not fully exhausted itself, nevertheless is increasingly showing signs of obsolescence. Criticism aimed at the USSR (which we try to dismiss as insignificant) in connection with insufficient insistence on practical steps to implement the proclaimed principles of the new political thinking may become stronger.

Apparently, a stage has already begun where real actions must indicate our intentions, and not only the speeches of politicians. It may be, precisely now, when Chinese-American relations are in a difficult state, the question could be raised about a delicate invitation, by agreement with the PRC, of the American side to participation in trilateral Soviet-Chinese-American cooperation in the economy, science and technology, the conduct of negotiations on the guarantee of security of commercial and passenger shipping, and the development of a common understanding of the tasks of overcoming the cultural-ideological gap between the countries which represent Eastern and Western civilization. Probably it would make sense to develop an orientation toward an objectively appropriate transition to trilateral semi-official and official consultations on questions of regional political adjustment. Finally, from the point of view of the perception of Soviet policy in the United

States, practical evidence of the aspiration of the USSR to escape an extreme turn toward the PRC could be of positive significance. It goes without saying, on the practitioners depends what could become the most effective proof of that sort—Soviet-Vietnamese negotiations at the summit level in Hanoi or a meeting with the American president in Vladivostok, signifying its final and complete "opening."

That kind of "compensating diplomacy", it seems, could in the years ahead become one of the integral principles of Soviet policy, replacing the increasingly obsolete logic of "break-throughs" in the individual directions of foreign relations (Chinese, Japanese, South Korean), which are capable of undermining the balance that has taken shape and to provoke distrust.

In this sense, a great deal depends on our relations with the chief ally of the United States in Asia—Japan. Today, it seems, there are serious reasons to hope that the Soviet-Japanese "summit" scheduled for the second half of 1991 in Tokyo, will give a positive impulse to the development of relations between the two countries. At the same time, taking into account the situation actually existing in Soviet-Japanese relations, where Tokyo, on the one hand, has little interest in economic contacts with the USSR, but, on the other, comes out actively with territorial demands, it is difficult to hope for the impending and radical intensification of our economic relations with Japan.

In all probability, it would be more reasonable in the years ahead to reorient to South Korea many of the hopes in the sphere of foreign economic relations traditionally associated with partnership with Japan. This could in some measure be conducive to the solution of economic tasks, although it would not remove the political problem—the radical weakening of the hostility of Japan, which practically has become the chief source of anti-Soviet sentiments in the region.

Thus, it turns out that to speak of the creation of strong guarantees of the general interest in regional stability in isolation from the improvement of Soviet-Japanese relations is sufficiently difficult, even if we reconcile ourselves to the loss of imminent prospects of economic cooperation with Tokyo.

In principle there exists a possibility for the transfer, by the United States, of the positive charge from the development of the Soviet-American dialogue to relations between Japan and the USSR. It is also evident that, in the long-term perspective, the Soviet Union and the United States have quite a few parallel, if not coinciding, interests in the sphere of the guarantee of regional stability on the plane of possible prospects for the evolution of an independent military role of Tokyo.

However, on the tactical plane, the situation seems more complicated, especially taking into account the fact that, with the arrival of the Bush Administration, the United States has begun to speak out more actively in support of the territorial demands of Japan. Nevertheless, with the

whole complexity of this situation, it by no means excludes the possibility of Soviet-American consultations on problems relating to Japan. Preparations for them could be made both counting on the participation of Japan and without it, since it is clear that Tokyo will be disturbed by any Soviet-American consultations of that sort and is trying to prevent them.

Such questions as the comparison and exchange of data on the number of land troops, aviation, and other types of weapons along the borders of the USSR and Japan in the Hokkaido region, the Kurile Islands, and the Island of Sakhalin. It would be expedient to attempt to develop a common understanding of the conditions and possibilities for a coordinated freeze of military construction, including the modernization of existing facilities and installations along both sides of the border. Possibly it would be expedient to establish direct contacts between the ruling organs of the Soviet Armed Forces in the Far East and the American ones in Japan, having in mind, for example, the establishment of special communications lines, the acquaintance of each other with some types of military equipment, and the invitation, on a mutual basis, of observers to military maneuvers conducted in the region.

The involvement of the United States in such negotiations could not only provide an impulse to the dialogue on regional security problems, but also would urge the American side toward a more balanced attitude to the thesis of the presence of a military threat to Japan from the USSR. This could express itself in a more realistic correlation of military-political and economic interests of the United States in the development of relations with Tokyo, which, in its turn, would become a limit to the attempts of Japan to attain economic concessions from Washington through a game for the hypertrophied perception, by the American side, of the importance of the strategic partnership with Tokyo.

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Up to now, American plans for the economic integration of the Pacific Ocean countries were virtually constructed without taking into account the possibility of the participation of the USSR in it, which, from our point of view, would meet the interests of all countries of the region.

Meanwhile the economic modernization of the Soviet Far East in the broad sense of the word signifies not simply an increase of the volume indicators of production or structural transformations. The question is the creation, on the shores of the Pacific Ocean, of a sphere of real vital interests of the USSR, above all and chiefly economic interests. This will create the preconditions for the interest of the Soviet Union in the most advanced forms of cooperation with the Pacific Ocean countries, capable of becoming an essential positive factor of the Pacific Ocean dynamic.

In so doing, it is important to bear in mind that the joining of the Soviet Far East to the production and consumption systems in the Pacific Ocean basin means

in fact the joining of the entire Soviet Union in the cooperation. And this can signify additional possibilities for the development of the Pacific Ocean market and the intensification of international cooperation.

We should once again emphasize a fact already noted in our press—that in this sense the current program of the economic development of the Soviet Far East is inadequate. In particular, one can hardly limit oneself to the increase in export production envisaged by it.

Necessary are effective forms of mutual cooperation, the development of a new long-term plan for the modernization of the Far Eastern economic complex, calculated to create the supporting infrastructure and in part the social base for the full-scale inclusion of the USSR in the system of the "Pacific Ocean pool." This base must actually be created all over again. All of the measures still being discussed in regard to the development of joint undertakings, special economic zones, various types of cooperation and specialization, and compensation projects will hardly produce the strategically necessary result. With their assistance, only partial tasks may be solved.

But these tasks, too, are of great significance. In particular, joint enterprise is a realistic path for the development of factories for the integrated processing of the raw material resources of the Soviet Far East. Special economic zones will serve the development territories, especially in the coastal zone of the region. Another important significance of joint enterprise lies in the fact that it is a splendid means for the development of local and medium factories with the use of every conceivable kind of raw material source, right up to waste materials. Gigantomania for decades provoked enormous losses. Few gigantic projects, for which fixed capital and time were spent, involved the loss of real current advantages.

Along with this, it is extremely important to see the long term, which suggests the transition to—for the Soviet economy—completely new forms of cooperation in the Pacific Ocean basin. Obviously, taking into account the specific features of the geographic location and the special functional role of the Soviet Far East as a contact zone in the Pacific Ocean basin, we should examine the possibility and expediency of the direct participation of this region of the USSR in the Pacific Ocean economic process as an organic part of the whole Asiatic-Pacific Ocean region.

Cooperation with firms of the United States is possible both on a bilateral and multilateral basis. The large-scale nature of the processes which may take place on the Pacific Ocean coast of the USSR also suggests the enormous scales of the concentration of financial, technological, and organizational power of the possible participants. The positions occupied by the United States permit it to take part in these processes in various forms. The difference of interests, financial possibilities, technological development, market possibilities and a great

many other things are the natural basis for the organization of consortia of firms of various countries and multinational joint enterprises. On this plane, the only achievement thus far is the agreement on economic and cultural cooperation between Magadan Oblast and the state of Alaska.

One of the—in the first stages most attractive and most fruitful—of its types is, perhaps, the cooperation in the sphere of construction business. We mentioned above the special role which belongs to construction in the Soviet Far East both now and in the future. The qualification and possibilities of American construction firms are well-known. Also desirable would be the involvement of Japanese equipment and technology, as well as manpower from other countries for the rapid development of the construction business and the opening up of industrial and tourist zones in the Far East.

Such trends in the future development of the Soviet Far East would also be conducive to the improvement of the military-political situation in the ATR as a whole, as well as for the USSR directly. The integration of the Pacific Ocean regions of the USSR in the ATR would sharply lower the tension in this region of the world. This alone would already promote the guarantee of the country's security at a price of fewer efforts.

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Concerning the prospects for the development of the situation in the region, it should be noted that constructive Soviet-American cooperation on regional problems is more realistic in relation to those situations where the strength of the positions of the USSR and the United States is comparable—the position in Korea and in Indochina. In so doing, much will depend on the flexibility and effectiveness of Soviet policy, which is capable today of exerting an appreciable influence on the attitude of public opinion and legislators to the policy of the American administration. Here is possible a wide selection of measures—from the observance of human rights to steps confirming our adherence to agreements that have been concluded.

At the same time, it is obvious that constant efforts are necessary for the activation of discussions of all possible approaches to the improvement of the situation in the region. The Soviet Union has already repeatedly set forth its understanding of the reasons for tension and ways of reducing it. Our opponents have their version of the development of the situation. As it seems, all Pacific Ocean states could give their own vision of the methods for the guarantee of regional stability on the basis of equal security.

The formation of national conceptions of the strengthening of peace and confidence in the region and their discussion on a bilateral or multilateral basis are capable of opening the path to the coordination of positions which today are in many respects contradictory. And no matter how difficult the path to compromise, a real



dialogue would develop, the absence of which is one of the chief sources of the mutual suspiciousness remaining in the region.

At the turn of the 1990's we finally, have acquired the courage to recognize that the Soviet Union and the United States, in the ATR, have, along with non-coinciding, parallel and close interests. At the same time, it seems, the time has come to make the transition from the statement of this fact to make the transition to practical steps. On this plane, Soviet-American consultations on Asiatic-Pacific Ocean problems, whose absence hold back the dynamic of the Pacific Ocean policy of the USSR, acquire special urgency.

#### Footnotes

1. J. Sanders, "America in the Pacific Century," *WORLD POLICY JOURNAL*, Winter 88/89, p. 76.

2. Cf. *THE NEW YORK TIMES*, October 13, 1988.

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#### Opinion Poll on Soviet-Japanese Relations Conducted

90U10408A Moscow SOVETSKAYA ROSSIYA in Russian 25 Feb 90 First Edition pp 1, 5

[Article by V. Ivanov: "Identification"; first paragraph is SOVETSKAYA ROSSIYA introduction]

[Text] Around 2,000 Soviet and Japanese people were polled in a special sociological survey conducted by the editors of SOVETSKAYA ROSSIYA and HOKKAIDO SHIMBUN in conjunction with the APN on the island of Hokkaido and in the Russian Federation.

"Japan and Russia were chosen by fate to be neighbors," well-known researcher and author Shintaro Nakamura wrote in his book "The Japanese and the Russians." "Although our countries are located almost side by side in the geographic sense, however, there are vast differences in their natural environments, living conditions and lifestyles, social structures, morals and traditions, and many other facets of life."

In the history of the relationship between our countries, which already spans more than a century, several intricate knots came into being and took years to untangle. This has left its imprint on the relationship today, complicating the development of bilateral ties and contacts. In the present situation, however, the relations between the USSR and Japan can affect not only the state of affairs in the Far East, but also in Asia and in the entire Pacific basin. A realization of this fact is implicit in our country's present policy. Its aim, as it was stated when a delegation from the USSR Supreme Soviet visited Japan, is to exclude war, violence, and conflict from our relations forever, so that mutual trust, respect, and goodwill can grow stronger.

In the Russian Federation the survey took in 33 populated points in Moscow and Moscow Oblast, and Yaroslavl, Volgograd, Tyumen, Omsk, and Sakhalin oblasts, including the southern Kuriles and Maritime Kray. In Japan the geographic boundaries of the survey took in 100 populated points, but all of them were located on the island of Hokkaido. The questionnaire was answered by 1,194 people in the Russian Federation and 788 people in Japan.

Data on the composition of the polled groups are also interesting. In the RSFSR, 26.5 percent of the people polled lived in rural areas and 73.5 percent were urbanites, and in Japan 28.3 percent lived in rural areas, 27.2 percent lived in Sapporo, the administrative center of the island, and 44.3 percent lived in small towns and urban settlements. Therefore, the composition of both groups coincided with the overall structure of the population of the Russian Federation and the prefecture of Hokkaido.

#### What Do We Know About Each Other?

The Soviet and Japanese sociologists who compiled the questionnaire for the survey wanted it to cover various aspects of the interrelations, from general ideas about the neighboring country and its people to specific opinions on possible forms of cooperation. We will begin with the first group of questions, intended to reveal how much we know about each other and what the Japanese and Soviet people think of their closest neighbors.

Here is an indicative point: Only a small group of respondents (5.4 percent in the RSFSR and 3.6 percent in Japan) said that they were well informed on the politics, economics, history, geography, culture, and other spheres of life of the neighboring country. Most of the respondents (75.8 percent in the RSFSR and 61.3 percent in Japan) replied more prudently—"I know something about some aspects of life there" or "I have a vague idea of certain aspects of life there." Furthermore, 56.5 percent of the respondents in the RSFSR reported that they liked the Japanese people, and 35.1 percent said that they did not like them but they did not dislike them either. On Hokkaido the correlation was somewhat different: 9.8 percent and 79.3 percent respectively.

The survey data indicating the factors influencing the formation of opinions of the neighboring country and its people are of definite interest in this connection. Many respondents put such sources of information as television and radio at the top of the list—67.1 percent in the RSFSR and 57 percent in Japan. As for newspapers and journals, their influence was mentioned by 43.1 percent of the respondents in the RSFSR and 33.4 percent in Japan.

The survey objectively reflected insufficient personal contact and personal experience. Only 3 percent of the respondents in the RSFSR, for example, associated their opinions of Japan with personal acquaintances with Japanese visiting the Soviet Union, and 2.5 percent connected these opinions with a trip to Japan. On

Hokkaido the figures were even lower—1.3 percent and 1.4 percent respectively. This should probably give both sides something to consider. Respondents were asked what they would do if they had a chance to go to the neighboring country. Most of them had an unequivocal reaction: 80.3 percent in the RSFSR and 65.3 percent in Japan said they would take advantage of this opportunity.

Something else warrants consideration in this part of the discussion of this survey. Respondents were asked to choose the three most common characteristics of the Soviet and Japanese people from a list of seventeen. The respondents in the RSFSR said that the Japanese were industrious and hard-working (72.9 percent), energetic (51.1 percent), and intelligent (33.8 percent), and that the Soviet people were peace-loving (53.2 percent), friendly (36.2 percent), and...short-tempered (29.1 percent). Japanese respondents had a slightly different opinion of the Soviet people: 36.7 percent of the respondents said they were conservative, 33.8 percent said they were aggressive, and 31.9 percent said they were egotistical. They were more tolerant, as the survey shows, of their own people: 61.2 percent of the respondents said that the Japanese were hard-working and industrious, 29.8 percent said they were peace-loving, and 25.6 percent said the Japanese were conservative. We will not delve into the reasons why so many of the respondents on the island of Hokkaido have this image of their neighbors. We will only say that the myth of the "Soviet threat," which is, regrettably, still being used by some groups in Japan for propaganda purposes, has had an indisputable impact.

This is corroborated, incidentally, by the results of the sociological survey. Whereas 66 percent of the respondents in the RSFSR had a negative response or said they were undecided when they were asked whether Japanese military potential constitutes a threat to the Soviet Union, 62.1 percent of the respondents in Japan saw the USSR as this kind of threat, and 27.3 percent were undecided.

#### **What Are the Views on Future Relations?**

The survey results with which we began this analysis of the sociological appraisal of public opinion recorded current views and judgments, which are naturally a reflection of a certain level of relations. Sociologists did not have access to any comparable information which would have allowed them to trace the dynamics of changes in the nature of bilateral ties—this was the first such survey conducted by its organizers. For this reason, an attempt was made to elucidate this during the course of the survey itself. The responses to a question about the changes in Soviet-Japanese relations in the last 5 years clearly indicated that public opinion, like a sensitive barometer, had registered positive tendencies in the development of contacts between our countries. Here are some of the results.

In the RSFSR, 40 percent of the respondents said quite definitely that relations had improved. Virtually the same opinion was expressed by many Hokkaido respondents—35.8 percent gave the same reply. Something else is also indicative: Only a small group on both sides was inclined to believe that there had been no changes whatsoever. These people represented 10.9 percent of the total in the RSFSR and 22.8 percent in Japan.

It is also significant that respondents expressed the wish that these positive tendencies would continue. On Hokkaido 52.8 percent of the respondents said that the Soviet-Japanese relationship should be stronger; 16.4 percent said it should stay the same; and only 7.1 percent said there was no need to establish a close relationship. In the RSFSR the respective figures were 83.7, 6.7, and 1.6 percent.

An issue as controversial as Japan's claims to Soviet territory could not be left out of the survey. Several questions were connected with this topic, and the essence of the problem was stated in the following words: "Do you believe that the satisfaction of territorial claims is a necessary condition for the development of relations between the two countries in the direction of friendship and mutually beneficial cooperation?" Predictably, differences of opinion were quite pronounced. Whereas 48.3 percent of the respondents in the RSFSR believed that this was not a necessary condition, 16.8 percent felt that this could not be an absolute condition, and only 5.7 percent were convinced that it was a necessary condition, the results of the poll on the Japanese side present a different sequence of figures—4.3 percent, 34.8 percent, and 44.7 percent respectively. This is the current state of affairs, and the solution to this problem, as underscored during our parliamentary delegation's stay in Japan, is apparently a search for a third option, which would be equally satisfactory to both sides.

There is a growing awareness of the need for this new move. Respondents were asked to answer the following question: "To what extent do you feel the state of Soviet-Japanese relations affects world affairs?" An analysis of the results suggests that the positions of the two sides are close to one another: 41.8 percent of the respondents in the RSFSR and 52.9 percent in Japan replied that relations between the USSR and Japan have a perceptible effect on the overall state of world affairs.

When we discuss the improvement of Soviet-Japanese relations in the context of world politics, we must mention the positions of our countries on disarmament issues, especially the elimination of nuclear weapons. The questionnaire was designed to record public opinion on various aspects of this complex matter. The results are a fairly clear reflection of the views of broad segments of the populations of Hokkaido and the RSFSR.

"Do you feel that an agreement on the complete elimination of nuclear weapons is a realistic goal?"—this was one of the main questions in the survey. Here is what the poll showed: 49.8 percent of the respondents in the

RSFSR were completely certain of the possibility of concluding this kind of agreement; 25 percent were undecided, and 18.3 percent expressed doubts about the possibility of reaching an agreement of this kind. On Hokkaido the respective results were 16.5, 31.3, and 49.4 percent.

The responses to another question revealed approximately the same differences: "Is adequate defense possible without nuclear weapons?" In the RSFSR 53.1 percent were absolutely certain that it was; 22.3 percent believed that it might be possible but were not completely certain; 5.6 percent saw no such possibility. The respective figures on the Japanese side were 20.4, 31.7, and 17.5 percent.

As we know, our country announced a unilateral reduction of Soviet armed forces and arms, including those in the Asian part of the USSR, and is carrying out this decision. How has this initiative affected Soviet-Japanese relations?

The absolute majority of respondents in the RSFSR had an optimistic view of our initiative: 10.5 percent said it would improve relations considerably; 27.1 percent said it would bring about sufficient improvement; and 25.6 percent said it would improve them, but not to any significant degree. In principle, the same views were expressed by the Hokkaido respondents: respectively, 3.6 percent, 20.6 percent, and 42.8 percent. All of this provides more evidence that the ideals of peace and cooperation are clearing a path for themselves, in spite of many obstacles.

#### **How Can the Development of Cooperation Benefit Our Countries?**

The questionnaire listed various fields in which cooperation might be developed. Respondents were asked to choose the three spheres in which cooperation would be of the greatest benefit to both countries. We will begin with the responses in the Russian Federation.

In the opinion of these respondents, the most preferable fields of cooperation would be the following: the organization of joint ventures—this was advocated by 60.1 percent of the respondents; foreign trade—54.4 percent; science and technology—51.3 percent. Only 1.6 percent of the respondents were unable to name a single sphere in which cooperation would be beneficial.

Now we will take a look at what the Japanese said. They put cooperation in fishing at the top of the list (64.8 percent); foreign and domestic policy ranked second (61.9 percent); and foreign trade ranked third (37.8 percent). There is no question that these responses were influenced by the distinctive features of the Hokkaido economy and the greater interest there in solving fishing problems.

These responses revealed general assessments of the prospects for cooperation. More specifically, in which fields could we cooperate most effectively? The survey also included this question.

It is indicative that both sides see many possible spheres of joint activity. For example, 23.1 percent in the RSFSR and 17 percent in Japan advocated participation in the economic and social development of Siberia; 5.3 percent and 11.4 percent respectively advocated the export of raw materials from the USSR to Japan and to third countries; 55.7 percent and 21.8 percent chose the joint development of technology, machines, and equipment; 35.8 and 11.8 percent chose the exchange of the latest technologies; 11.0 and 32.2 percent chose fishing.

A question related directly to these concerned the establishment of the special economic zones which are to be created in our country, including, and primarily, the zone in the Far East, where optimal conditions will be established for cooperation and direct trade. What was the attitude toward this idea?

The absolute majority of Soviet respondents (71.1 percent) saw this as a real possibility for closer cooperation. Only 5.3 percent had objections, and 17.6 percent were undecided.

The Japanese were more reserved in their responses: 38.1 percent agreed that the establishment of special economic zones would pave the way for the creation of more favorable conditions for cooperation, and 5.2 percent disagreed. Finally, just as in the RSFSR, there was a group (50.8 percent) with no specific opinion.

The reaction to the following question was interesting: "How would you respond to a job offer from a joint Soviet-Japanese enterprise?" In the RSFSR, 37.9 percent said they would accept the offer unconditionally; 21.4 percent said they would agree, but with reservations; and 7.4 percent said they would reject the offer. In Japan the results revealed the following correlation: 4.9, 24.9, and 29.6 percent respectively. Of course, in both cases a fairly large group of respondents had no definite opinion.

In this discussion of the joint survey, we have understandably been unable to analyze all of the results. In general, however, the public opinion poll proved that our countries and people have many real opportunities to become good neighbors and to develop contacts and cooperation in many spheres. An inhabitant of Omsk expressed this idea well at the end of his responses to the questionnaire: "We want all people to live in friendship, to trade and compete with one another, and to protect the environment together."

In conclusion, on behalf of the editors of SOVETSKAYA ROSSIYA and HOKKAIDO SHIMBUN and the APN, I would like to thank the Japanese sociologists and the scientific associates from the Sociology Institute of the USSR Academy of Sciences for their help in conducting this interesting and useful research.



### Corazon Aquino, Political Life Portrayed

90UI0409A Moscow *RABOCHAYA TRIBUNA*  
in Russian 28 Feb 90 p 3

[Article by Mariam Salganik: "Corazon Means Heart"; first paragraph is *RABOCHAYA TRIBUNA* introduction]

[Text] Four years ago, at the end of February 1986, a C-9 transport plane of the U.S. Air Force took off from the Clark Field American base with former dictator F. Marcos on board. He had lost the presidential election to Corazon Aquino.

When Roger Eliot, a modern astrologer who uses a computer, was making his political predictions for 1986, he said, among other things, that a woman would head the government of the Philippines. This horoscope did not surprise anyone. It was logical to assume that it was predicting the death of elderly President Marcos, who would naturally be succeeded by his wife, the beautiful Imelda, a former "Miss Asia." Who else?

The general and his wife had already been ruling the island country with an iron hand for almost 20 years, appropriating everything in sight. They distributed lavish tips to their closest associates and put their political opponents behind bars. Even if Marcos should die, Imelda would still be there.

It is true that the Americans were getting more persistent in their demands that President Marcos hold an election.

What difference would an election make? Marcos had no doubts about its outcome. If he had to, he would show the Americans and the complainers in his own country who the real boss was. Especially since Marcos would be running against—what a joke!—the widow of Benigno Aquino, a housewife, as she listed herself in the election papers she filed. What could she do besides stirring the pity of the voters? Of course, she was backed up by other forces, but Corazon Aquino was a minor pawn in a big game and could not be a serious rival.

The 1986 elections in the Philippines deserved mention in the "Guinness Book of World Records." In a statement, 104 Catholic bishops—85 percent of the population of the Philippines is Catholic—called the elections "truly unparalleled in the fraudulence of their conduct" and asked Marcos to yield to the will of the people.

Marcos declared himself the winner, however, and ordered the administration of the oath of office. He had the support of President Reagan of the United States and...the man who was then the USSR ambassador to the Philippines, who hastily made an official visit to Marcos to congratulate him.

"The victory was mine and the people's!" C. Aquino said after the National Assembly declared F. Marcos the president on 15 February 1986. "We know this, and no one can force us to give up our victory!"

Corazon addressed the people with an appeal for a campaign of civil disobedience. Some army subunits took Aquino's side and refused to take action against the people, but the decisive role was not played by the soldiers, but by the crowds of unarmed people in the streets.

Corazon—the Spanish word for "heart"—said: "The world saw and will remember the people, who had fallen to their knees to stop the oncoming tanks, locked in the friendly embraces of the soldiers who had been sent to kill them. And the world was stunned and amazed—our people had managed to climb up from humiliation and oppression to pride and dignity."

Today no one in the world still wonders whether this sweet woman wearing glasses and a shy smile, this devout Catholic and mother of five, can govern a country, especially one like the Philippines, where problems have been accumulating for decades. During the campaign Marcos had made the contemptuous remark that Corazon had only 9 weeks of political experience to her credit. She answered: "I agree that Marcos is much more experienced. I have never had to lie, or steal, or kill my political opponents!"

Who is she, this fearless woman who challenged the omnipotent dictator, the woman the Filipinos affectionately call Cory? Corazon Cojuangco was born into a famous family. Her father, Jose Cojuangco, was the extremely wealthy owner of sugar plantations in the province of Tarlac on Luzon. The girls from the Hacienda Luisita were given an excellent education and were prepared for a place in Philippine high society befitting their origin and wealth. First school, and then Mount St. Vincent College in New York, where Corazon majored in mathematics and French. Then she enrolled in the law school of Far Eastern University in Manila. While she was still hesitating and could not decide whether she should practice law or translate works of literature—she also knew Japanese—fate brought her together with a young but already popular journalist, Benigno Aquino.

At the age of 17, Benigno Aquino had aroused interest with his reports from the theater of military operations in Korea for the *MANILA DAILY* newspaper. The Aquino family had traditionally played a perceptible role in Philippine politics, and Benigno also took this road, becoming, in turn, the youngest mayor of a city, governor of a province, and senator. The financial and moral support of the Aquino-Cojuangco clan and his exceptional talent paved his way to the heights of power. He was the leader of the opposition in the elections scheduled for 1973, but he ended up in prison through Marcos' efforts and stayed there for almost 8 years...on a charge of murder, illegal possession of firearms, and subversion. For almost 8 years Corazon visited him three times a week, effectively performing the functions of a liaison between her husband and the opposition. Furthermore, when Marcos allowed the opposition to

nominate candidates in the elections to the National Assembly in 1978, Corazon took charge of her husband's campaign.

"Cory works well under pressure, she is energetic and persistent, and she can be firm, although she has a typically feminine aversion to showdowns," said the people who worked with her then.

Benigno Aquino was released from prison because of the state of his health. He needed heart surgery and moved to America, where Corazon did take on the responsibilities of a housewife, but in a house seething with political passions, so that all of the nuances of political events were known to this quiet woman in detail and at first hand.

When Marcos announced his intention to hold an election in May 1984, an election which was supposed to give his dictatorial regime a decent appearance, Benigno Aquino decided to return to his native land. Corazon did not protest his decision.

It cost him his life. For Marcos, the decision to get rid of this political opponent was the beginning of the end: The assassination of such a popular leader and the complete impunity of the assassins were the catalyst of turbulent processes in the Philippines. Aquino's funeral was attended by around 2 million people. They say that if Corazon had asked the crowd for vengeance then.... At her husband's grave, Cory said she would continue his struggle, but she did not ask the people for peaceful resistance of the lawlessness until after she had been elected president of the country.

To get anything done at all, Corazon had to keep her balance on the edge of a combination of opposing forces, constantly walking a tightrope between American interests, focused primarily on the military bases, and the anti-American feelings of much of the population; between the expectations of the peasants who wanted land reform and the intentions of large landowners to sabotage any reform; between the ambitions of the army, which naturally did not want to give up its privileged position....

The resistance of Corazon Aquino's policy line was also planned in advance, and the strength and ferocity of this resistance are attested to by the repeated attempts to seize power—seven times in 4 years. Her only son Noynoy—Corazon's other children are daughters—was

a victim of one of the attempted armed coups, and the last coup ended in heavy losses.

Corazon has been in power for 4 years. For 4 years the "grandmother with the voice of a little girl" has sailed the ship of state through a constantly stormy sea. She has not been able to achieve national reconciliation—or even a truce. The operations against the new National Army have never stopped. The land reform, which was supposed to provide 5 million peasants with land, is still on the skids, and conquering unemployment, which, according to unofficial data, has reached the level of almost 40 percent of the able-bodied population, is out of the question. The country's foreign debts—most of them inherited from the now deceased Marcos, who personally stole 10 billion dollars—amount to around 30 billion.

On the other hand, however, there are indisputable signs of economic recovery: Industrial production volume is growing—at a rate of around 7 percent last year, foreign investments are streaming into the country, the exchange rate of the Philippine peso has been stabilized, and the rate of inflation does not exceed 10 percent. The fate of the American bases will be decided in the future—and in the very near future at that, because the lease will run out in 1991, but now they provide 70,000 Filipinos with jobs, and the rental on them is quite high. The matter warrants careful consideration. Furthermore, international relations are changing so quickly that the issue of the bases might be resolved in a way that no one can even imagine today.

In a discussion of what is happening in the Philippines today, Bishop Francisco Claver said: "We underestimate the slow and imperceptible changes that are taking place all around us, changes in the hearts of people; nothing remarkable, except that, taken together, they are the Philippines. These people realize that they have triumphed."

And so has Corazon Aquino, of course, if only because she persevered and because she brought her ideal of democracy a little closer to the average Filipino. Cory was asked at a press conference whether she did not feel that the people had been waiting too long for the promised changes.

She replied that it would be naive for her to expect to stay popular forever. A politician is destined to be the target of criticism.

## Survey, Commentaries on Afghan War

### Interpretation and Results of Survey

90UM0192A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 21 Dec 89 p 2

[Commentary by S. Kushnerev: "After Afghanistan"]

[Text] About 15,000 people took part in this press poll. About half of them were in Afghanistan themselves.

Almost 45 years have passed since the end of the Great Patriotic War. They are still finding unexploded bombs from it.

Not even a year has passed since the end of the "Afghan" war.

Rereading the questions on the survey, I think about how my old comrade would answer them. Calm and good-natured like the actor Boris Andreyev in his youth, he would hardly ever complain of anything. In general he preferred not to talk about Afghanistan. And all at once there was a sudden, inexplicable explosion: He almost maimed a taxi driver who had committed some kind of clumsy action. And then quite recently there was another outburst. He showed up late one night excited and stretched as tight as a violin string. In an absolutely sober voice, although it seemed he had been drinking quite a bit, he said the same thing over and over: "I will blow him up." And he told me about his "housing" nightmare, about the boss at his shop who abused everyone, and about the grenade he had ready for the boss.

I do not know whether there was in fact a grenade. But—there could still be an explosion.

Realizing that the Congress of People's Deputies will be discussing the issue of a political evaluation of the events in Afghanistan (and, one hopes, the issue of how the people who participated in the "events" are living), we decided to publish the very first, preliminary results of our press poll. Despite the fact that the surveys are still coming in. Despite the fact that, after processing the surveys we have already received, there are many more questions than answers. For instance, what does each of the respondents mean by one of their primary goals, judging by the survey—"to put things generally in order"? And what methods will they use? Everyone says that the "Afghanistan vets" will not support the enemies of perestroika in any fashion. But who is an "enemy"? Is it coincidence that Komsomol workers more than anyone else call Afghanistan a disgrace for us (and by the way, ¾ of the Komsomol workers who answered the survey were "there" themselves)? There is a difference in the evaluations of these events between those who "went" and those who "did not go" and between people of various ages and professions. Will the difference narrow—will society arrive at a "common denominator" on this occasion too?

One thing is already apparent today. We have begun too early to forget about that war, never mind those who returned from it. The search for truth can be dragged out, as has happened more than once before. But artificial limbs are needed today. And housing—today.

And privileges too, even if some of us seem to have interpreted the ruling on them as some sort of indulgence of society's. And concerning these privileges, a majority of those who went to Afghanistan as well as those who did not are very right about their reality... So when we speak about values common to all mankind, which we must yet determine in our evaluations of our own past, let us not forget (as has also happened) about the most important of these values—about man. About people. About those who returned from war.

And finally, sociology is a precise science. For that reason, we will not speak about "Afghanistan vets" in general. The figures that we present today are the opinion of almost 7,000 of them who wrote to the editor. Let us remember that each one has his own fate, story, and life.

### What Is Your Attitude Toward the Consequences of Our Participation in the Events in Afghanistan

Here and elsewhere we indicate the percentage of those answering the corresponding question affirmatively from among only those who were themselves in Afghanistan.

The main thing is to quit discussing the war and help those who returned from it	66
The main thing is to find a correct political evaluation for the war in Afghanistan	25
The main thing now is to find those who are guilty and call them to account	11

### In Your Opinion, Have Those Who Returned From Afghanistan Received Enough Attention From...

Society in general	12
The government	18
Party organs	5
Soviet organs	5
The Komsomol	14
Those around them	25
The older generation	33
The youth	26
The press	48
You personally	26

The percentage of "Afghanistan vets" who say that they have received "Disgracefully Little" attention from the above groups and organs follows: soviet organs—35, party organs—34, the Komsomol—21, the government—20, society in general—14, those around them—13, the youth—11, the older generation—8, the press—7, themselves personally—4.



### What Is Your Opinion of the Role of Our Servicemen in the Events in Afghanistan?

It was our internationalist duty	35
It discredited the concept of "internationalist duty"	19
It was a difficult but necessary step	19
I am proud of it	17
It was a disgrace for us	17

Those who did not go to Afghanistan answered the question this way: "It was a disgrace for us"—46, "it discredited the concept of 'internationalist duty'"—30, "it was a difficult but necessary step"—19, "it was our internationalist duty"—10, "I am proud of it"—6.

### Do You Often Think About Events Connected With Your Service in Afghanistan?

Often (very often)	60
Rarely	12
I forced myself to forget about all of it	3

### How Do Think Those Who Served in Afghanistan Should First Apply Their Efforts?

Help each other	34
Educate the younger generation	30
Put things generally in order	29
Participate in the political struggle	12
Struggle against crime	10

### Would You Agree With the Following Opinions Expressed in the Pages of the Press?

"Afghanistan vets" are some of those few who will support the country in times of trouble	72
Afghanistan is the best school of life	66
"Afghanistan vets" are a lost generation	8
"Afghanistan vets" are a force who will support the enemies of perestroika	4

### What is Your Attitude Toward Privileges for the Veterans of Afghanistan?

The privileges are only on paper	71
They are clearly not enough	17
It is that little bit that society can and should do	16
They are unjustified, as are any privileges	7

More than half of those who did not serve in Afghanistan subscribed to the opinion that "the privileges are only on paper," and half of the remaining people believed that the privileges are clearly not enough.

### Which Problems Are the Most Troublesome for You?

Housing	40
Restoring your mental equilibrium	35
Finding your place in life	32
Restoring your health	31

Financial problems	28
Consumer services	10
Creating a family	9

### Letters Accompany Survey

90UM0192A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 21 Dec 89 p 2

### [Commentary: "After Afghanistan"]

[Text] This press poll is something that needed to be done. But it seems to me that things will not go any further than this... There will be only sighs, comments, and apologies in the press and on TV. I am not disabled, nor do I have any wounds, but I want to buy my wife some shoes (for example), and there is a long line out front, so I made up my mind (!), got out my privileges card, and tried to make my way up to the counter... They let me have it from all sides. After that I do not even carry the card. "I did not send you there." It is a pity. It seems that the only people with privileges are the disabled. I do not have anything against the disabled, because I saw with my own eyes how they got that way. But we, the ones who returned healthy, thank God, were also THERE. And now, here in the Soviet Union, someone in a crowd has to send me...

Respectfully,

Viktor Ivanov, former senior sergeant

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I do not know if you will have time to read my letter along with the survey. But behind the survey is a woman who wrote "yes" and "no" to all these questions.

I spent 2 years in Afghanistan working as a laboratory assistant at a supply depot for petroleum oils and lubricants. I had to drive on temporary assignments to Bagram and even across the Salang Pass. Today it is terrible to remember. But it is impossible to forget any of it! Sometimes I want to remember, to talk a bit, but there is no one who would hear me out and understand me. The only one who could do that would be someone who had been "there." Anyone else simply will not understand, and because of that it is impossible for them to judge.

Almost no one recalls that we, the Soviet Army civilian employees, were also in Afghanistan. It is a pity. What else is there for me to live for? Even at work, at my own collective where I returned after 2 years in Afghanistan, now and then the question of my tour there comes up: Should her visit really be considered Afghanistan duty?

I am tired of it.

It is somehow embarrassing to have to explain and prove it. And because of this I feel discontented with life and dissatisfied with myself. I have thoughts of psychological

inferiority—I do not know how to put it any better. And meanwhile I have to bring up a son. He is only 10 years old.

Everything gets in such a tangle, and my bad health just makes it worse—I came down with malaria and typhoid fever in Afghanistan. Who is going to need me in this shape?

Maybe among the surveys there will be a letter from a lonely, troubled man who was in Afghanistan. I would like to write him.

*[Signed] O.K.*

**The editor has the return address for this letter on file.**

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Yes, Afghanistan was a school of life. The country can rely on these fellows in times of trouble. But in the event that they are not treated with the proper attention somewhere and people begin to become embittered, it is not impossible that these forces might also be used by the enemies of perestroika for their own ends.

*[Signed] B. Salogub, 27 years old.*

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I am one of those who served in that war. Our soldiers labored in that disgraceful war for 9 years. I wish our people understood that, for perestroika's progress, we are that very force which does not look for life's easy paths. I will describe myself. Five years of nightmares and stressful conditions, and all as a result of two years of service. Privileges are just paper. They are obviously not enough. The main thing for us is to restore our health. One half of us lost our health, and so how are we to live? We must develop an "Afghanistan veterans" program. There are about a million of us—certainly such a program can be instituted through the parliament. The "Afghanistan vets" are excellent fellows, and there are drug addicts and alcoholics among us, a small number of the boys. It is an enormous pity. But our society, where we exist, has brought them to such a life. I will always defend the honor of the "Afghanistan vets"... Even among my friends and family I do not have the friendships I had in Afghanistan. There will not be any more of them. It was a dream.

*[Signed] A. Kutlyyev, Namangan Oblast.*

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My family would answer one of the questions on our surveys in this fashion. The main thing is to find a political evaluation for the war in Afghanistan and help those who returned from the war, and afterwards to find the guilty and call them to account. These days it is accepted practice to ascribe everything to the period of stagnation. But in each concrete instance there are people who are responsible for this or that decision. So why, in these times of perestroika and glasnost, can we

not name them and call them to account for what they have done? Hushing it up does not offer any guarantee that Afghanistan will not repeat itself.

We are raising a son, Andrey. He is 15 years old, and we do not wish him, as a result of someone's ill-considered and criminal decision, to undergo the same rite of passage as the boys who served in Afghanistan.

The bulk of the boys who served in Afghanistan comprehended the need for perestroika and suffered for it long before many of us arrived at that same thinking.

*[Signed] The Mastrenko family, Novosibirsk.*

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This is the first time I have ever written to a newspaper. I will begin with a request. Gentlemen fans of the cinema! Perhaps we have had enough of your making cannon fodder of us. Understand, you imbeciles, we came home to LIVE, and not to be bogeymen (which you make of us): "Citizens, live honestly or else a platoon of baby-killing 'Afghanistan vets' will appear and take care of you all." This is the message in each of your "films." What do you know about us, about the carnage that is called "internationalist duty"? We are people! And before it brands us "the lost generation," let our "humane society" realize at its leisure that it may be partly to blame for that.

Do you know, if all over the Soviet Union the cry were to ring out, "Volunteers! Back to Afghanistan!"—I would go... I would rather go there than live and see all this filth, those gobbling mugs of the office rats, that spite for humanity (which not everyone has) and savage hatred for everything, and those wooden, useless slogans! There everything was simpler.

Yes! Even there not all relations were so smooth, but everything was understood there. If he is a swine, there is nothing to hide his swinishness, nothing to paint it over. But here?

And in conclusion I would like to say a couple words to the editorial board. I like your newspaper very much. Steady on! I ask only one thing: Write the TRUTH! Whatever it may be! Write it, and I hope that "Afghanistan vets" will support you, and not because these boys are such "infallible and immaculately honest ideological champions" (as they represent us), but simply because we can distinguish the truth from lies for ourselves. And one more thing: If this letter is published, print these albeit banal lines:

People! Be merciful! Do not harm stray dogs, do not abandon your elderly, and do not pass by human pain. Be humane, people...

Leningrad - Moscow - Tomsk

**Hazing Leads to Desertion**

90UM0192A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 21 Dec 89 p 2

[Commentary by A.N. under the rubric "A Special Case": "All I Wanted Was To Live..."]

[Text] I read the article "Hostages of War" and decided to write. I no longer have the strength to torment myself at night. Now, after almost 3 years at home, the past has returned from that haze, that mirage, that delirium. I lived relatively peacefully for 3 years. But sometimes it would come over me anyway. Gradually it happened more often. And now my "past" does not leave me alone. No, I am not complaining. I want to come to understand it.

I was born in 1965. I graduated from railroad school in 1984. I worked July, August, September, and part of October as an assistant engineer. Then I was conscripted into the Soviet Army. I pictured service in the Army like something from the program "I Serve the Soviet Union!" I encountered only one good unit in my travels—my training unit. In the spring they began to split us up into operational units. The training unit was in a fever. At that time everyone's attention was on Afghanistan, at least ours was. One reason was that we had hardly heard anything about it. On 19 April 1985 they sent me and 69 other privates to the "south." For 3 days, 70 people were confined in one wagon on a train...

We arrived in Tashkent. Within a week we had already been reequipped with summer uniforms and equipment, and one night they drove us to the airport. And only just before takeoff did they declare officially that we were flying to carry out internationalist duty in the DRA [Democratic Republic of Afghanistan]. We had guessed it much earlier. Two hours later we were in Kabul.

A few other men and I ended up in a unit near Kabul (actually, above Kabul)... Our company commander appointed us to extra duty believing, probably, that he had found a way of protecting replacements from "dedovshchina" [hazing].

But that just delayed it until later. We had already gotten to know our company and we knew that those who went out on combat operations never humiliated anyone. The ones who did all the bullying were just those men whom the commanders did not trust enough to send out on "combat ops"...

When they "worked me over" for the first time, the company commander learned about it. At the medical unit they examined my scrapes and bruises and decided to transfer me from the station. The longservers were reprimanded, as a result of which I became known as an "informer." And so they started in on me with all the brutality they could muster... I began to avoid the company. I stopped going to the mess hall. Each day hunger gnawed at me more and more sharply. And finally the day came when everything went to the devil

and I and one of the other new arrivals got into it. I looked in on him at the station—he was alone. We talked a bit and drank a little vodka with some dried bread. And we decided to sneak into the hut where the rear service warrant officer lived. Our reason was that this warrant officer was always skimming goods from the soldiers and selling them on the side. As we crept in he saw us, but he was unable to catch us. My friend and I ran into the "green zone" [active combat zone] near the unit and sat down by a minefield to discuss the problem. I had given up all hope (I thought then that I would catch it even worse than I already had). I broke down completely. But my friend turned out to have more spirit than me (or maybe he was just thinking a little better). He took off to work things out with the warrant officer, leaving me alone by the minefield. But one thought gnawed at me and hammered at my head—I was a thief.

I lay in the grass by the minefield with that thought until evening. I did not see any way out. And in this condition I decided that it would be better if I blew myself up on a mine. I raised the barbed wire and crawled into the mine field on all fours. The commander had warned us that there were three or four mines per square meter, sometimes more. I crawled to the middle of the minefield. There was no explosion. Then I began to pound on the ground around me with my fists, expecting an explosion each time. I crawled on and came to rest against the barbed wire on the far side. I lay there until about ten at night.

It grew dark. I came to myself, looked at the starry sky, and realized that I wanted very much to live. I was terrified by the thought of crawling back across the minefield. I crawled through the barbed wire and walked to a broken down house standing apart from the kishlak [Central Asian village]. I spent three days in that house. At night I picked green apples near the house and fed myself with them.

On the fourth day some Afghan teenagers noticed me and, as I learned later, they sold me to the rebels. The latter told me I must either go to Pakistan or die. I went with them. We traveled three days. In Pakistan they sold me to one of the Gulbeddin bands. They sold me for three assault rifles and a grenade launcher.

They did not force me to work in captivity, they fed me and beat me and constantly asked if I was an officer or enlisted, had I killed or not, and why had I come to their land if I did not wish to fight and kill. How could I explain to them such concepts as duty and obligation?

In captivity I became covered with lice and completely lost track of the time. Winter set in (I knew by the snow). But toward the end of winter they washed me and drove me back into Afghanistan. They explained to me that one of their men had been taken prisoner and that they were trading me for him. And if I wanted to refuse or run away to the West, then I could go with a group of others, some nine people (as I understood). I said, "Send me home!" They exchanged me. I was flown to Kabul by



helicopter. I was put in the garrison stockade in solitary confinement... The first investigator pressed me hard. To get him to leave me alone, I wrote down that I had been recruited by Chinese intelligence. A new investigator appeared... Eventually they sent me to the Soviet Union. I thought they would put me in jail, but on the contrary they began to move me from one unit to the next. I was transferred in and out of quite a few. They examined me. They carefully crossed out the privileges on my military service card (as a result of my premature transfer to the USSR)—and it was signed that way. And the hell with them and the privileges. Something else troubles me. Everyone around knows that I was in Afghanistan. Some (a few dozen) know that I was missing in action, and my mother has turned gray (for which I will never forgive myself). I do not know how I will explain to these people everything that happened to me. How will I explain to my wife, who waited two years and believed in me? To my friend? And to say that I was a prisoner... No.

[Signed] A.N.

#### Veterans Renounce Decorations

90UM0192A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 21 Dec 89 p 2

[Commentary by V. Zarovskiy under the rubric "Fact and Commentary": "Decorations on the Ground"]

[Text] Photographs speak for themselves [photos not reproduced]. There were more than 100 of them, soldier-internationalists or, as they call themselves, "participants in the war in Afghanistan." They gathered not long ago in Vilnius' Nagornyy Park to remember the dead and to say that the war was unjust.

I cannot judge whether the Lithuanian "Afghanistan vets" are right to renounce their decorations. They have made their choice themselves.

#### Appeal To Keep Decorations

90UM0192A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 21 Dec 89 p 2

[Commentary by R. Aushev, Hero of the Soviet Union, USSR people's deputy, under the rubric "Fact and Commentary": "Decorations on the Ground"]

[Text] Yes, I know there are occasions when former soldiers who fought in Afghanistan discard their combat decorations. A few days ago I met with soldier-internationalists and USSR people's deputies and we talked about this. I do not remember who it was, but someone said very accurately, "If they are throwing away their decorations, it must mean that they do not value them very highly."

I know from my own experience that behind each medal or decoration there is, as a rule, not only the labor and courage of a single person, but also that of a whole squad, sometimes of a platoon. Behind them is your comrade who, perhaps, died in that same battle covering you with

his fire. And that means they are not renouncing their medals, but rather their comrades in combat. What should we call that?

They say that the war in Afghanistan was a political mistake. If it was, then let the politicians answer for it. But combat decorations for honest service should not be abolished. They do not depend on any political evaluations. If you believe differently, then let us renounce all decorations given out before 1985, under Stalin or during the years of stagnation. After all, they did not build a developed socialism, they did not build communism in the 1980's. Does that mean that the decorations were dishonest?

I am sure that not one peasant or worker will repudiate his decorations. Behind them are his sweat and blood.

#### Psychological Service for Veterans

90UM0192A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 21 Dec 89 p 2

[Report by M. Magomed-Eminov, candidate of psychological sciences, director of the psychological service of the Union of Veterans of Afghanistan: "Commentary of the Psychological Service of the Union of Veterans of Afghanistan"]

[Text] Our service studies the problems of the psychological and socio-psychological rehabilitation of veterans of Afghanistan. It conducts not only scientific method studies and training of specialists but also carries out psychological consultation and psychological rehabilitation with the goal of eliminating the aftereffects of post-traumatic stress of veterans and their families.

The psychological service has a network of interconnecting centers for family therapy, a center for professional problems, a center for post-traumatic stress, a center for rehabilitation from drug addiction and alcoholism, a psychotherapeutic center, etc. In addition, it has a branch in the new hospital for veterans in Moscow. We train specialists in psychological rehabilitation of traumatic stress for the country's rehabilitation centers. Intensive work is underway to create regional branches across the entire Soviet Union.

The information we receive will be used in the training and retraining of specialists and in psychotherapeutic work. It will help us define more precisely the factors of traumatic stress, the criteria for maladjustment, and the problems which veterans encounter in the various spheres of their lives.

The results of the survey have permitted society to express its opinion on a variety of issues concerning veterans of Afghanistan, the events in Afghanistan themselves as well as their consequences, and the present situation and problems of veterans. A detailed scientific analysis is ahead.

And finally, the country's leadership has shown interest in the results of this investigation—they will be taken

into account in the process of developing and adopting resolutions concerning this issue.

### Kabul Rebuilds After Coup Attempt

90U10456A Moscow KRASNAYA ZVEZDA in Russian  
12 Mar 90 p 3

[Article by Lt Col O. Oliynik, KRASNAYA ZVEZDA special correspondent: "A Crime Against the People"]

[Text] Kabul, 11 Mar—The Afghan capital's appearance has become noticeably grimmer today. There are tanks near the entrance to the presidential palace. There are armored personnel carriers on the main squares and streets. There are sand bags around institutional and administrative buildings. Reinforced armed patrols along with party activists patrol the streets and check vehicles and suspicious passers-by....

The conspiracy of the putsch members headed by Shahnawaz Tanai, the former minister of defense, has been defeated; however, its traces have disfigured the city like scars. There is an enormous crater from an exploded 500-kilogram bomb on Pushtunistan Square; the houses have been drilled with fragments. The buildings of the Ministry of Justice, Ministry of Finance and radio and television center suffered from the air strike by the putsch members. The greatest destruction occurred on Dar-ul-Aman Street where the Ministry of Defense is located. For a time, it was the conspirators' headquarters.

The details of how the overthrow attempt was undertaken and its main reason are now becoming known in Kabul. In the headquarters of the Kabul garrison whose troops Col Gen M. Azimi, first deputy minister of defense, commands, they told your correspondent about certain specific information concerning the failed conspiracy. The first bombs fell on Kabul at 1309 hours on 6 March—on orders of Col Gen A. Kadyr, the commander-in-chief of the air forces and air defense forces, a supporter of Shahnawaz Tanai. Approximately 18 fighter bombers, which were garrisoned at the air base in Bagram, took part in the air strikes. All told, 34 bombs were dropped on the city.

N. M. Momand and Col Gen A. Kadyr, former members of the Afghan republic's higher defense council, fled in an airplane along with the former minister of defense. Maj Gen U. G. Khazrat, the chief of the Ministry of Defense's communications administration, went into hiding together with them. A number of highly placed generals and officers in the Ministry of Defense are under investigation. A presidential order has now established a special tribunal and a special procurator's office to investigate the coup attempt and punish the conspirators.

The situation in the country since the putsch is relatively stable. There are no clashes between the units that went over to the side of Tanai and subunits of the government's forces. All the main provincial administrative

centers are under the Afghan army's control. The population is basically expressing its support for Najibullah and angrily condemning the armed coup attempt.

Journalist circles maintain that the main reason for the putsch was the sharp aggravation of relations within the party and the increasing struggle for power between its two wings—Khalqi (people) and Parchami (banner).

Repair and reconstruction work is underway in Kabul today. A meeting of the commission to eliminate the putsch's consequences and to organize assistance for its victims was held under the chairmanship of M. Hakim, a deputy prime minister. It has been decided to allocate 10,000 afghanis to all city inhabitants wounded as a result of the conspirators' actions. The Ministry of Trade is allocating consumer goods for the victims and the Ministry of Transport has undertaken to speedily deliver window glass to the capital from Khayratok. The Ministry of Finance has allocated five million afghanis to eliminate the putsch's consequences.

The plot has stirred up the Afghan capital's inhabitants who are tired of the war and the regular rocket shelling, which is being conducted by the rebels, and the daily threat of death. I sensed these feelings especially sharply in the central military hospital. Its wards are filled with wounded. There are also children among the wounded.

Khodzha Maruf, a wounded soldier, said to me bitterly: "Only Allah knows how tired the people are of the war and bloodshed. I have no idea what Shahnawaz Tanai and his supporters wanted to achieve and what they were pursuing. Nothing can justify the death of innocent people and the shedding of our children's blood. This is a crime against their own people and against the entire country. There is no justification for it.

### Israeli General Feels Soviet Help Essential to Peace With Arabs

90U10365A Moscow NOVOYE VREMYA in Russian  
No 3, 12 Jan 90 p 20

[Interview with Science and Development Minister Ezer Weizman by Dmitriy Zgerskiy: "Enough Fighting: Out-of-the-Ordinary Thoughts of an Israeli General"]

[Text] This interview began in September of the past year in Israel. At that time former Israeli defense minister, Minister of Science and Development Ezer Weizman expressed the hope of visiting the Soviet Union. And so it was that the conclusion of the discussion occurred in Moscow, to which he traveled together with a group of Israeli scientists at the invitation of the USSR Academy of Sciences.

I am no longer young. Looking back at the past, I find that I spent the best years of my life fighting. First I was a pilot in the British air forces, and I battled the fascists. Then the time came when I fought against the English, against the British mandate over Palestine. When the state of Israel was proclaimed, I fought against Arabs,

and with Soviet weapons at that: The USSR provided help to Israel in those days. Times changed after that, and the moment came when I was knocking Soviet airplanes down and demolishing Katyusha rockets which your country supplied to Arab countries.

In those years I pursued a military career spanning from fighter pilot to commander of the Israeli air forces. Excuse my lack of modesty, but I created the best air forces in the world. I went higher after that, and now I am the Israeli minister of defense.

I participated in combat activities against Arabs in 1948-1949, in 1956, in 1967 and in 1973. Even in those times I attempted to analyze the situation. It seemed to be an insoluble one to me: An end to these wars simply could not be foreseen. Being the defense minister I knew that there could be no victors in wars with the Arabs, that the Palestinian problem would not be solved on the field of battle. In 1982, when Israel invaded Lebanon, I no longer participated in the war. By that time the experience of the Camp David agreements with Egypt was behind me. I took the most active part in peace talks with Egypt.

That was not a simple matter. Some people in my country, in Israel, branded me a traitor. What can I say? Courage is also required in the search for peace, and at such times a retreat turns out to be victory. Was Gorbachev's decision to withdraw Soviet troops from Afghanistan not a courageous deed? And when we made peace with Egypt, and returned the Sinai Peninsula to it, this was a display of courage both on our side and the side of Saadat, who was also branded a traitor by many. I played an unusual role as defense minister: I was fighting for peace. And I must tell you that this is the best occupation for a defense minister in general. For any defense minister.

My son fought against the Arabs and became an invalid. In Cairo I sat at the negotiating table with Egyptians, some of whom had lost their sons in the war against Israel. And we understood each other. We understood that this was enough fighting, that it was time to trust each other and seek mutual understanding.

Yes, I have thought many things over, and I have come to the conclusion that Palestine cannot become wholly Arab, just as it cannot become wholly Jewish. I see one solution to the problem now: We need to negotiate directly with Yassir Arafat. Were I to engage in dialogue with him, I would suggest discussing how we would live as neighbors: whether open borders would exist between our states, what sort of economic ties we would establish, whether there would be a common currency, how we allocate water resources, what sort of customs regulations we would establish, and so on. I would sign a peace treaty simultaneously with both the Palestinians and Jordan. And after that, with Iraq. I attach especially important significance to Iraq in the process of finding a settlement in the Near East.

I would want to discuss problems of security with Yassir Arafat as being the most influential leader on the occupied territories. Egypt for example has agreed to have demilitarized zones on the border with Israel. I would propose that Arafat reject notions of an army and serious arms. Then Israel would not have any grounds for fearing such a Palestinian state, all the more so in its tight encirclement by Arabs. As far as the present idea of elections on the occupied territories is concerned, I do not support it. The Arabs simply should create their own independent state together with guarantees of Israel's security. Observance of such obligations is guaranteed on our side, as is shown by the example of relations with Egypt.

Let me emphasize once again: Rather than fighting with the Arabs, we must be good neighbors. But we cannot do without the Soviet Union in the process of achieving a peaceful settlement. All the more so considering its friendly relations with Syria and Palestinian Arabs. However, the USSR could play a truly effective role by restoring diplomatic relations with Israel. This is my deep conviction.

Were I to meet with President Gorbachev, I would say this to him: The year 1967, when diplomatic relations between us were broken, has faded into the distant past. Let's reestablish ties. Let political relations between the two states return to what they were in 1948. You are now undergoing perestroika, which we are following with great sympathy. So let perestroika also encompass our relations. The Soviet Union has some things to say and propose in regard to settling the Near East problem. And after all, the Palestinian problem is both my problem and the problem of every resident of Israel. We must solve it together.

I see peaceful cooperation gradually widening between us as a good prelude to restoring relations. I am happy that on my part I am also making at least some sort of contribution to this effort.

I have long dreamed of visiting the Soviet Union. This is the motherland of my ancestors, and of many Israelis as well. Especially pleasant is the fact that a group of scientists and I visited the Soviet Union with proposals on scientific and technical cooperation. Our country is very small, but in the sciences, Israel is a real laboratory of scientific and technical accomplishments. We possess high technology, and we have made many valuable discoveries in biology and in other fields. We even launch satellites, though of course we have far to go to reach your level in this field. The cosmos is now full of Russians. The Soviet Union is also a country of many scientific discoveries, and therefore we can help each other. The prospects for such cooperation are truly wonderful. I hope that my visit will lay a path for close scientific contacts between the USSR and Israel.



### PDPA Politburo Member Defends Party, Revolution

90UI0353A Moscow PROBLEMY MIRA I  
SOTSIALIZMA in Russian No 12, Dec 89 pp 73-76

[Article by Najmuddin Kavyani, PDPA Politburo member and Central Committee secretary, and member of Supreme Fatherland Defense Council: "The Revolution Can Defend Itself"; passages in boldface as published]

[Text] The April revolution (1978), which was accomplished under our party's leadership, was the objective result of the Afghan people's long struggle for democratic and national development. The PDPA<sup>1</sup> accumulated 10 years of experience in governing the country, was able to mobilize millions of people to defend their homeland, and initiated the policy of national conciliation.

The revolution began in a backward agrarian Muslim country which had inherited a slew of difficult political, social, economic, and inter-ethnic problems.

Now, looking back over the years, we can admit that we made several mistakes in our rush to step up the revolutionary process. This was connected to a considerable extent not only with H. Amin's treachery, but also with **extremely serious tactical errors and attempts to speed up history by hurdling several natural revolutionary phases.** As a result, the party was isolated at a certain point from most of the population—the peasantry. The provocative position of prominent feudal chiefs, bureaucrats, and other opponents of reform and the interference of the Pakistani military establishment and hegemonic groups in the United States compounded the republic's difficulties.

The people also had mixed reactions to the presence of the Soviet military contingent. This complex issue still needs to be analyzed. The counterrevolutionaries and their allies had a common mobilizing slogan: the withdrawal of the Soviet troops from Afghanistan. We have to admit that this appeal won them considerable support. Invoking the religious and ethnic biases of the masses, reactionary forces, supported by the Pakistani regime, took advantage of these circumstances to gain stronger influence in rural communities. In rural regions, especially in the mountains and in remote villages, the population did not recognize the authority of the central government. Counterrevolutionaries used money in some places and weapons and deception in others to form armed detachments, using our slightest errors in their own interest.

The people whose interests had been injured by the revolution fled to Iran and Pakistan. This is mainly how the armed opposition took shape. It was given all types of assistance by Zia-ul-Haq and by Shah Reza Pahlavi. They arranged for the military training of terrorists, armed them, and financed their transfer to Afghanistan. They had a single goal—to smother the revolution by means of provocation and sabotage. Several years before

the April events, certain groups in Pakistan were already establishing centers, with the CIA's blessing, for the planning of subversive actions against the leadership of the young republic. The provocative policies of the United States and Saudi Arabia played a considerable part in exacerbating the situation. This eventually led to a **strange diumvirate**—the national government in Kabul and the nest of counterrevolutionaries operating from Pakistan.

Three years ago (in 1986), the PDPA conducted a discerning and thorough analysis of its tactics and of the politico-military situation in the country. The changes in the international situation and events within Afghanistan set new theoretical and practical objectives for the revolution. The idea of **national conciliation** was proposed for the sake of the people and their future party. Our tortured homeland was tired of war. The slogan of guaranteed conditions for a peaceful and constructive life was the focal point of the process of the reconciliation of opposing sides. Virtually all political and social forces in the society joined the movement. A new political situation took shape in the country. It pointed up the huge gap between the interests of most of the Afghans and the desire of the leaders of the intransigent armed opposition to continue the slaughter, and between the rank and file of the opposition and its leaders, who were biding their time in comfort in villas in Pakistan, Iran, and some Western countries.

As we know, Afghanistan and Pakistan signed UN-mediated agreements in Geneva on 14 April 1988. The United States and the USSR pledged to serve as guarantors of the agreements. Although this was covered extensively in the world press, I must repeat that the agreements had the purpose of neutralizing external factors impeding the resolution of the Afghan problem. According to the signed documents, any interference by Islamabad in our internal affairs (including arms shipments) would have to stop. The agreements called for the elimination of the mujaheddin camps and their training and propaganda centers and offered refugees a chance to come back home unimpeded.

While the USSR was carrying out its obligations to the letter, the United States and Pakistan effectively violated the agreements. Islamabad not only failed to reduce the number of military training centers, but also established new ones (there are already 180 of them). From 30 to 35 groups of 1,200-1,500 men each are trained for terrorist actions virtually every week. American-produced missiles are being fired at civilian communities.

We predicted that the extremists would launch a fierce offensive after the Soviet troops had been withdrawn, and we decided to defend the revolution and repulse the aggression and trained the armed forces of the republic accordingly. Members of the PDPA underwent combat training and joined the fight. They realized that defeat would mean physical as well as political death. All of the soldiers in the Afghan armed forces also knew this.

We should recall the massive psychological offensive the Western news media led against us prior to the withdrawal of the Soviet contingent. They kept saying that the fate of the republic had already been decided. The opposition received larger amounts of military and financial aid. Several countries closed their embassies in Kabul, planning to open representations under the mujaheddin. Apparently, they assumed that because Soviet subunits, working with the armed forces of the republic, had been unsuccessful for 10 years in doing what they described as guaranteeing the country's security, their withdrawal would create the gap through which the opposition could make its way to the top.

The psychological assault and the propaganda of Afghan reactionary forces and their patrons energized most of the opposition forces at first. An attempt was made to turn the "Rawalpindi Council"<sup>2</sup> into a cabinet, but it ended in failure because the "leaders" were always at each other's throats. After discrediting themselves in front of the whole world, they formed a "transitional government." They intended to move it to Jalalabad first and to Kabul later. All of this was orchestrated by Hamid Gul, the former chief of Pakistani counterintelligence, and by experts from the CIA. Their Rawalpindi "government," however, was still-born.

The dissension in the opposition camp is easy to explain. The groups were formed on the basis of common regional, ethnic, and religious affiliations. Each group was backed up by the funding and support of different external forces. During negotiations, the fundamentalists and the moderates—i.e., the "seven," headquartered in Peshawar, and the "eight" in Iran—and the field commanders in Afghanistan could not agree on the main issues, especially the distribution of seats in the "provisional government." Representatives of several nationalities, religious communities, and regions were not part of the government in the beginning. The "eight" and some of the "seven," for example, were virtually refused seats in the "government." This also happened to the field commanders of the detachments fighting in the country and playing the leading role in the armed opposition. By a quirk of fate, the main political positions were occupied by the weak groups dependent on the United States and a few Arab countries—Saudi Arabia, Bahrain, and Sudan, and also Malaysia, which still have no contact whatsoever with Afghanistan.

A conference took place on 5 March 1989 and was attended by the U.S. ambassador in Islamabad. The opposition was represented by H. Gul. A decision was made to launch an offensive on Jalalabad with the aid of large Pakistani units. By 6 March, the leaders of several opposition groups and the mujaheddin commanders who had "taken the initiative" had already begun military operations.

Why Jalalabad? It is less than an hour's drive from Peshawar. Detachments of Pakistanis in mufti could easily take part in the operations. The Pakistani information center predicted that the city would surrender

within 72 hours. Hundreds of foreign correspondents were expected to report the fall of the city and the arrival there of the "provisional mujaheddin government," the "premier" of which had even scheduled the date of the first session for 10 March 1989.

History, however, arrived at a different decision. Although the city was shelled by close to a hundred American surface-to-surface missiles a day, it withstood the ordeal. The attacks were repulsed and the attackers suffered heavy losses.

Jalalabad—the gateway to Kabul—was defended by people of all nationalities from all parts of Afghanistan. This was our first independent large battle. It gave the people confidence, raised army morale, and enhanced the political prestige of our party in the country and abroad. The opposition suffered a serious defeat. Its plans to bring about the fall of the regime within 2 or 3 weeks with a blitzkrieg had failed. The counterrevolutionary believed that an economic blockade of the capital and other cities and constant provocation would motivate the population to rebel. They were also counting on the demoralization of the army and hoped for a military coup.

Contrary to their expectations, however, the PDPA, its allies, and the armed forces repulsed the extremists' onslaught, surmounted the economic blockade, and upset the plots. The prevailing atmosphere in the army (70 percent of the soldiers were party members) made a military coup impossible.

Until recently the opposition was supported mainly by the backward and illiterate segment of the population. The intelligentsia, educated in the West and professing pro-Western views, did not take sides in the conflict. Now the United States wants to lead it onto the political stage of the struggle, where it can make use of its authority. In short, the balance of power in the opposing camp is the following: The people with military authority have no political power, and the groups with the strongest backing from Washington do not have enough military influence. It is completely obvious that the counterrevolution is so riddled with internal discord that it is incapable of making independent decisions and has had to depend more and more on the United States and Pakistan.

Enough time has elapsed since the withdrawal of the Soviet troops to draw several conclusions:

The PDPA proved that it could defend the revolution;

The military course of action can lead only to the further devastation of the country and to fratricide; the only acceptable option is the political process of conciliation with participation by all interested parties, including the PDPA;

The Afghan people and the rest of the world have seen who wants to stop the war and who wants to continue the bloodshed.

The leaders of the republic and our party have taken a creative approach to the situation and have made constructive proposals. We submitted a new package of proposals at the 9th conference of the heads of state and government of the non-aligned countries in Belgrade:

The sides will agree to a cease-fire, retaining control of the regions they occupy. They will form a joint commission and begin negotiations with participation by all of the camps concerned. The administration of the country will be carried out by coalition groups on different levels, and representation will correspond to the actual correlation of forces. Parliamentary elections will be held under the supervision of the commission;

Or: All forces interested in stopping the war in Afghanistan will sit down at the negotiating table. A conference will be convened to discuss the formation of a governing council for the country. It will announce a cease-fire for 6 months. During this time a new constitution and a law on elections to the National Assembly will be drafted. The traditional Loya Jirga<sup>3</sup> will meet after the constitution has been approved. After free, secret, direct, equal, and general elections have been held, a new government will be formed, made up of representatives of the parties or coalitions winning parliamentary seats. We would agree to the presence of an international commission to oversee the elections.

The leaders of the republic suggested that this conference should be attended by representatives of Afghanistan, Pakistan, Iran, India, China, the United States, the USSR, and other countries and a representative from the Movement for Non-Alignment. We believe that it must first reach an agreement on a cease-fire; secure the legal status of Afghanistan as a neutral and demilitarized state; create a special committee of the National Council, with the assistance of the countries listed above, to aid in the fulfillment of the Geneva agreements on Afghanistan. We are certain that we can reach a mutual understanding on the membership of this committee. Its activity will not conflict with UN Resolution 43/20 on the political resolution of problems connected with Afghanistan, but will promote it instead.

Our initiatives and our work with the masses are already producing results. The field commanders of armed opposition units are trying to escape the guardianship of their center in Peshawar. Most of them are honoring the cease-fire and are increasingly likely to express dissatisfaction with the "provisional government." Some are coming over to our side or are negotiating with us. In view of their abilities and influence, we are prepared to give these people a chance to take part in governing the country and to render all of the necessary assistance.

The position of the United States has been extremely contradictory. When Pakistani Prime Minister B. Bhutto visited Washington, she and G. Bush advocated a political settlement in Afghanistan, but we can see that the President of the United States is hoping for an increase in military assistance to the opposition, the exertion of pressure on Kabul, and the isolation of the PDPA from the government. Is there another party in Afghanistan that is capable of carrying out the political solution to our problem? The answer is obviously no. Furthermore, Bush has said that he does not recognize the opposition's "provisional government," but he has also sent a special American representative to Peshawar, where this government is located. Judging by all indications, certain groups in Islamabad and Washington are still trying to help the "seven," so that the Afghan people will be forced to accept the fundamentalist government these groups have chosen, and they are still trying to put together a politico-military bloc in Southwest Asia and then use it against India, the USSR, and the progressive Arab countries. Documents attesting to these dangerous plans have been published.

I repeat, if the United States and Pakistan begin fulfilling the obligations recorded in the Geneva agreements, there will be a real opportunity for an all-Afghan dialogue, conciliation and national accord, and the formation of a coalition government with participation by all interested political forces.

In our actions we have to rely heavily on the international community. Many states support the Afghan revolution and the struggle of our people, but this support is still incommensurate with the scales of the problem. Because of hostile propaganda, some international groups still see Afghan reality in a distorted light.

We want the United States and the West European countries, which will largely determine the outcome of this entire process, to make a realistic assessment of the current situation, to stop encouraging the opposition to take military action, and to promote political dialogue.

We are certain that the United Nations and the non-aligned states also have enough authority and the ability to play a historic role in the guarantee of peace in Afghanistan.

#### Footnotes

1. The People's Democratic Party of Afghanistan was established in January 1965—Ed.
2. The "Rawalpindi Council" was made up only of the heads of the "Alliance of Seven" entrenched in Pakistan.
3. An assembly of representatives of all tribes and ethnic groups in Afghanistan—Ed.



### Senegalese Democracy Praised

90UI0359A Moscow IZVESTIYA in Russian 9 Feb 90  
Morning Edition p 5

[Article by V. Skosyrev, Dakar-Moscow: "There Are No Free Lunches"]

[Text] "You may ask any question, ask for information on any given subject, we have a democracy," said the editor of an independent weekly with pride in greeting a delegation of Soviet journalists. The words of the colleague sounded somewhat high-flown, but after visiting the Parliament and meeting politicians and journalists I became convinced that it is completely possible to speak about Senegalese democracy, and not at all in the ironic sense. In any case in contrast to some of its neighbors Senegal is not a dictatorship. Senegal has a leading and an opposition party and holds elections. And the newspaper even allows itself to publish caricatures of the president.

In other words, it hardly pays to look at small, 7-million strong Senegal condescendingly. Already at the beginning of the century this French colony sent its first deputies to parliament and learned something in the metropolis about respect for the law. Perhaps this experience helped the government that gained its independence already in our times to avoid bloody military revolutions and civil wars—instances that are very rare on the black continent.

Are we talking then about an island of well-being in a sea of problems? Not at all. What kind of well-being can there be if in Dakar next to skyscrapers we find shacks put together with boards, and if on the streets we find that when cars stop at red lights traders move toward them with newspapers or knick-knacks to sell, or if we simply find poor people. It is difficult to find a more convincing illustration of what the opposition political leader, Abdulay Batili, told us—that during recent years one-fourth of the labor force has been laid off.

...This is repeated regularly at the beginning of every year during the Ramadan season—the air over Dakar is filled with clouds of dust. The sand that is brought by winds from the Sahara crunches in the teeth and penetrates into the eyes and ears. Sometimes during the day cars must traverse with their headlights on and at the speed of a pedestrian. It appears that God himself is punishing man for the destruction of the forests which protect against the formation of deserts.

The advance of the Sahara and the decreasing size of pastures and of land suitable for plowing is just one of the reasons for the economic crisis. Another is the decreased prices on the international market for peanuts and phosphates, which are the mainstays of Senegal exports. The result is the catastrophic growth of the foreign debt.

How can Senegal be treated for this ailment and who should be invited in as the doctor? For Dakar there was only one answer. After all, the country is attached to the West economically, culturally and politically and for this

reason it turned for help to the World Bank, the International Monetary Fund and other creditors. Their comment was that during the last 5 years Senegal has received billions in loans and subsidies.

But neither the World Bank nor other similar institutions write off debts, and if they do lend money, they control its use strictly. Thus the World Bank required that Dakar carry out extensive transformations called "structural restructuring" in the course of 7 years.

Although there is nothing unusual in the program proposed by the World Bank, it represents the classic "medicine" that is prescribed with the goal of establishing financial discipline and to rejuvenate the economy. The essence of the program includes the following points: the curtailment of a swollen government apparatus, the sale of most state and semi-state enterprises into private hands and stricter conditions for issuing credit.

As they say, "there are no free lunches"—the provider of the loan requires sacrificial victims. This strict line did bring about certain changes—the gross national product began to increase. But on the other hand fulfilling the program was almost like stepping on a mine field for the government. After all, doesn't this mean forcing Africans to tighten their belts? Each breadwinner has an average of 10 dependents.

Already in October 1989 actual revolts took place in Dakar. This is how tradesmen who were previously loyal to President Abdou Diouf reacted to the increase in import duties and trade taxes.

Misfortune comes in threes. Last year the capital saw something worse than the revolt. Angry crowds made short work of Mauritians. There are different figures for the number who died, but it is no less than 100 persons. In speaking about this crime of mass insanity in Senegal it would not be fair to keep silent about the fact that scenes that were probably even more frightening were also seen in the cities of Mauritania, where the black Africans who had lived there for centuries became the scapegoat.

Foreign observers confirm that the ethnic conflict into which the governments of the two neighboring countries were pulled unwillingly has a racial subtext. In Mauritania slavery was officially abolished only in 1980, and it was the Blacks who were used as slaves. I will not try to judge the extent to which the racial aspect was dominant. I will simply note that the tragedy, as a result of which about 200,000 persons left their homes and jobs, began with an incident between Mauritanian livestock farmers and Senegalese farmers on a border islet. A second problem was that concerned by the absence of stability, private foreign investors stopped investing capital in Senegal. Yet it was to attract them that the "structural restructuring" was begun.

In other words, the situation is explosive and I am afraid it would become totally uncontrolled if it were not for the parliamentary mechanism or the press, which provide the opportunity to settle scores, to determine who is right and

who is at fault without hatchets and bullets. Not shots but debates can be heard between the government and the opposition. In the opinion of the opposition the president has yielded to the dictates of the World Bank.

"In Africa Senegal was considered to be a relatively prosperous country but in 1989 it was counted among the poorest countries," says Usman Ngom, deputy leader of the democratic party. "National industrial enterprises are being liquidated and our dependence on food imports is increasing. All of the responsibility for this is being put on the government, which accepted the decisions of the World Bank unconditionally without trying to present alternatives."

The enormous athletic figure of Ngom hardly fit into the small office in the parliament to which he brought us. Ngom feels that according to fairness his party should stand at the helm of government because only through machinations during elections did the socialists retain the majority of seats. The deliberate violation of the freedom to vote—here is still another serious complaint of the opposition to the president.

What does the leadership of the party in power say in its defense? A member of its executive committee, Babakar Sin, assures us that the opposition meeting with foreign journalists is distorting the picture considerably. There was no election fraud. Elections were accompanied by unrest, and in order to avoid the threat of destabilization and the coming of the army onto the scene the authorities were forced to introduce a state of emergency, forbidding meetings.

"And the charge of grovelling before the World Bank is also without foundation," continued Sin. "What could the opposition have done in our place? There is simply no other solution than to accept the recommendations. After all, we have an enormous debt, the population is growing swiftly, and the government does not have money for investments. This means that we must decrease all expenditures in order to find money. This is difficult, but without cracking eggs you cannot prepare an omelette. Isn't that so?"

At first glance there is a large gap dividing the government and the opposition. In reality the two groups have a great deal in common. It is indicative that neither side is "duelling" about foreign policy problems. Yet they do exist, even apart from the differences with Mauritania. For example, Senegal has a small contingent of French troops. It would appear that in such an explosive atmosphere the official opposition could raise the question of why they are here. But it does not do this.

"Doesn't the presence of foreign troops infringe upon the country's sovereignty?" I asked Babakar Sin.

"No, it does not," he answered straightforwardly. "The French will remain here as long as we agree to it. We need their 'umbrella.'"

Three years ago, when we looked at the "third world" as an arena for fighting imperialism such close ties between an African country and a Western power would have given rise to negative feelings in us, to say the least.

But during the period of new ideas the closeness between Dakar and Paris cannot be a hindrance to friendly Soviet-Senegalese contacts. In developing democratic beginnings at home we naturally cannot but sympathize with the African country, which is attempting to implement political pluralism, even if it does not correspond to European standards. If we compare Senegal to countries where leaders are replaced with the help of parachutists, the balance will clearly be in its favor. With all of its flaws, democracy makes up for itself. Of course this is true not only in Africa.

### **Ethiopia Said to Encourage Private Enterprise**

*18120043P Moscow AZIYA I AFRIKA SEGODNYA in Russian No 2, 1990 p 11*

[Article under the rubric ETHIOPIA entitled: "Joint Forces"]

[Text] Private entrepreneurs in Ethiopia are now looking optimistically toward the future.

"I now intend to expand production," says Zeude-Alem Kebbede, the owner of a small cosmetics factory. "I paid about 1.7 million dollars for land, construction and equipment. I can now invest additional funds, especially since there is an opportunity to enter foreign markets." Ibrahim Naud, who owns a motel near the capital's airport, feared until very recently that his business would be nationalized. "Now I am sure that my efforts have the support of the government," he says.

This certainty arose after the republic's Council of State approved decrees on measures to improve the economic and social situation in Ethiopia, thereby giving new impetus to the country's development.

The decrees envisage the participation of cooperatives and private individuals in industrial production and the hotel business, as well as the attraction of foreign capital through the creation of joint enterprises. Owners of small enterprises have received the right to enter foreign markets and to dispose of the foreign currency they earn as they see fit. Small private and cooperative firms have been temporarily freed from paying taxes and customs duties, and they have been granted a number of other privileges. Another goal of the government decrees is to draw the capital of countrymen living abroad back into the republic's economy.

Since the beginning of 1989, 20 thousand private entrepreneurs have been licensed in Ethiopia. The total capital of the enterprises they have created exceeds 37 million dollars.

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